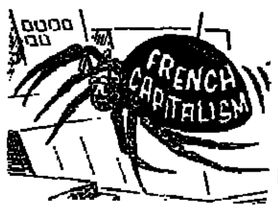

French privatisation
Big shareholders will get bigger
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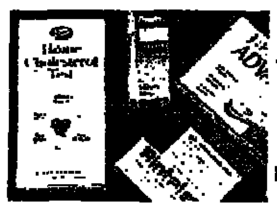

Diagnostic deals
Over-the-counter tests examined
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Salvage attempt
Gloomy outlook for US-Japan trade talks

FINANCIAL TIMES

Europe's Business Newspaper THURSDAY FEBRUARY 10 1994 D8523A

British order for Eurofighter 2000 may be increased

The UK Ministry of Defence may increase its order for Eurofighter 2000 combat aircraft – currently standing at 250 – in a move that could win the UK a greater share of the £32bn ($48bn) project's production stage, a parliamentary committee was told yesterday.

Defence ministry officials also outlined proposals to replace the "whole range" of frontline Royal Air Force aircraft – including the Harrier jump-jet and Tornado bomber – with the multi-purpose fighter. Page 16

Ford reverses loss: Ford Motor underscored the revival of US vehicle demand and its own market share gains by reporting fourth-quarter earnings of $719m, compared with an $840m loss in the same period of 1992. Standard & Poor's cuts ratings, Page 21; Ford Europe trims loss, Page 21; Fear of Australian contraction, Page 21; Lex, Page 16

Ulster peace move: Northern Ireland secretary Sir Patrick Mayhew launched a fresh round of meetings with Ulster politicians, seeking to maintain the initiative in efforts to bring peace to the province. Page 16

Norway aims for 1994 vote on EU entry: Norway could complete negotiations for European Union entry by next month's deadline and go on to win approval from the electorate in a referendum in autumn or early winter, said its new foreign minister, Bjorn Tore Godal. Page 16

New BNL board urged: Italy's government was urged to appoint a new board to BNL, the treasury-controlled commercial bank, whose chairman Gianpiero Cantoni had to step down on Monday because of a corruption probe. Page 2

Deng Xiaopong attends annual parade

Deng Xiaoping (left), China's reclusive senior leader, made a rare appearance on state television to mark the lunar new year holiday. It was the first time 89-year-old Deng had been seen in public since January last year when he was also shown attending an official ceremony on the eve of Chinese new year. He was shown yesterday greeting municipal leaders and inspecting a new bridge over the Yangtze. Page 4

O'Reilly deal: Independent Newspapers, Irish publishing group controlled by Tony O'Reilly, is to take a 31 per cent controlling stake in Argus newspapers, South Africa's largest newspaper group. Page 17

IMI shares at 23% premium: Shares in Istituto Mobiliare Italiano, the Italian financial services group privatised last week, closed on the first day of trading at a 23 per cent premium. Page 17

Talbott clears hurdle: President Clinton's nomination of Strobe Talbott as deputy secretary of state was approved by the Senate foreign relations committee. To go through it must be confirmed by the full Senate.

Boost for part-timers: All German government ministries and federal agencies have been ordered to offer vacancies to part-time as well as full-time workers. Page 2

Death ride: Traffic deaths in France last year totalled 9,052, the highest figure in Europe.

Top British opposition MP to quit: Bryan Gould, defeated in the 1992 contest for leadership of Britain's opposition Labour party, is to quit politics in September and become vice-chancellor of Waikato University in his native New Zealand. Page 10

Uranium trail hots up: Russian officials reported 11 attempts to steal uranium from nuclear sites last year. This compares with three reported over the previous two years. None succeeded.

Polish partners end rift: Leaders of Poland's two-party governing coalition have patched up differences over control of economic policy. Page 2

Total, French oil group, announced estimated net profits of FFr2.9bn ($480m) for last year despite the recession and a fall in oil prices. Page 17

Euro Disney debt hitch: The first sale of secondary debt in troubled leisure group Euro Disney is believed have run into problems because of a delay by UK bank Midland in completing the deal. Page 18

■ STOCK MARKET INDICES		
FT-SE 100:	3,429.1	(-11.1)
Yield	3.44	
FT-SE Eurotrack 100	1,504.89	(-7.48)
FT-SE-A All-Share	1,726.82	(-0.4%)
Nikkei	19,841.38	(-409.85)
New York: lunchtime		
Dow Jones Ind Ave	3,926.30	(+20.27)
S&P Composite	472.65	(+1.59)
■ US LUNCHTIME RATES		
Federal Funds:	3⅛%	
3-mo Treas Bills: Yld	3.312%	
Long Bond	97⅞	
Yield	6.431%	
■ LONDON MONEY		
3-mo Interbank	5¼%	(same)
Liffe long gilt future:	Mar 115⅝	(Mar116¼)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Mar)	$13.53	(14.065)
■ Gold		
New York Comex (Feb)	$384.0	(384.1)
London	$381.8	(380.4)

■ STERLING		
New York lunchtime:		
$	1.4585	
London:		
$	1.4685	(1.47)
DM	2.5708	(2.5856)
FFr	8.7255	(8.8013)
SFr	2.16	(2.1786)
Y	157.502	(160.078)
£ Index	80.8	(81.5)
■ DOLLAR		
New York lunchtime:		
DM	1.7615	
FFr	5.97725	
SFr	1.478	
Y	108.05	
London:		
DM	1.7603	(1.7658)
FFr	5.9745	(5.9875)
SFr	1.479	(1.4821)
Y	107.845	(108.9)
$ Index	67.5	(67.7)
Tokyo close Y 108.14		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.60	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£60.00
France	FFr9.00	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L13000
						UAE	Dh12.00

Allies at odds on issuing a deadline for Serb pullback from Sarajevo

Nato agrees air strike threat

By Lionel Barber in Brussels and Robert Mauthner in London

Nato agreed last night to threaten the Bosnian Serbs with air strikes unless they withdraw their guns encircling Sarajevo. But the 16 allies were still wrangling about whether to issue the Bosnian Serbs with a precise deadline by which they must comply.

Proposals varied between seven and 14 days, with France and the US exerting heavy pressure on their partners to reach the required unanimous agreement on an ultimatum with a specific deadline.

However, Canada voiced particular concern that an open threat to intervene in the Bosnian civil war could put at risk nearly 200 lightly-armed Canadian United Nations peacekeepers trapped in the eastern Moslem enclave of Srebrenica.

The Nato agreement in principle to use air power came a few hours after Serb and Bosnian Moslem military commanders had agreed an immediate ceasefire in Sarajevo and the Bosnian Serbs had agreed to withdraw siege guns from around the city.

But Nato diplomats and Lieutenant-General Sir Michael Rose, the British commander of UN forces in Bosnia, remained sceptical about the value of the ceasefire agreement, due to come into effect at noon local time today.

The two-year-long Bosnian conflict has been littered with broken ceasefires, and it was clear that the latest agreement was reached so quickly only because of the pressure on the Bosnian Serbs from the Nato discussions.

Nato secretary-general Manfred Wörner at yesterday's emergency session. "It's time to act," he said. "We've had enough words" Reuter

"This is a very small start to a very large problem. People should not read too much into it as far as the overall situation in Bosnia-Hercegovina is concerned," Gen Rose said.

The UN Protection Force (Unprofor) command will ask the UN for more troops to monitor the ceasefire and the artillery positions of both sides. Gen Rose said that 120mm mortars of the type used in the bloody attack on a Sarajevo market last weekend would be regarded as heavy weapons by the agreement.

The meeting of Nato ambassadors convened in Brussels yesterday amid growing political pressure in the west for a military response to Saturday's shelling of the market, in which 68 civilians were killed and more than 200 wounded.

The Nato session was marked by more than eight hours of debate on a Franco-American draft initiative which called on the Bosnian Serbs encircling Sarajevo to pull back their artillery to a distance of between 20km and 30km of the Bosnian capital, Nato diplomats said.

Britain backed the Franco-American paper, whose the chief purpose of which was to convince the Serbs to pull back from their positions and to persuade all parties, including the Moslems, to hand over their heavy weapons to UN supervision.

Earlier Mr Manfred Wörner, Nato secretary general, sought to turn the meeting into a test of alliance credibility. Visibly weak from his battle with cancer, Mr Wörner made a special effort to attend yesterday's emergency

Continued on Page 16
Nato's jets converge with its diplomacy, Page 3

Impasse threatens Japan and US trade summit

By Nancy Dunne in Washington and Our Tokyo Staff

Mr Tsutomu Hata, the Japanese foreign minister, flew to Washington yesterday in a last-minute attempt to resolve stalled trade talks, as US business urged the Clinton administration to maintain a tough stance.

Mr Ron Brown, the US commerce secretary, said ahead of his arrival that bilateral talks among trade officials had produced no breakthrough on improved access to the Japanese market for US automotive groups and other issues "which have the most profound economic consequences".

But he added, without elaborating, that agreement had been reached on medical equipment, where US makers had complained about complex Japanese regulations and non-transparent bidding procedures.

However, the absence of a wider accord threatens to bedevil a summit between Mr Morihiro Hosokawa, the Japanese prime minister, and President Bill Clinton at the White House tomorrow. Mr Hosokawa said in Tokyo yesterday: "Everything has come to an impasse."

To buoy the administration's stand, the Economic Strategy Institute, a Washington think-tank with close ties to the US car industry, released a letter to Mr Clinton signed by 81 business leaders, economists and academics, supporting "a pragmatic results-oriented strategy" which includes numerically measured increases in US imports.

"The approach you have adopted rightly recognises that a meaningful and lasting solution can be achieved only through innovative mechanisms geared towards results that can be measured in a number of ways," it said.

Signatories included companies that have long sought better market access in Japan – including Intel, Cray Research and National Semiconductor in the high-technology sector, as well as other companies that have

Tokyo lays groundwork for trade talks, Page 4
Editorial Comment, Page 15

Payments crisis hits Russian energy sector

Billions of roubles owed by former Soviet republics

By John Lloyd in Moscow

The Russian government yesterday announced a payments crisis in the energy sector which threatened to "paralyse" both domestic and export deliveries.

The energy ministry said that "the total of non-payments has taken on such proportions that in the near future … it could completely paralyse economic activity on the part of energy sector enterprises".

January production of oil and gas condensate was down to 6.5m barrels a day – a fall of 10.1 per cent on the previous January's output.

Mr Alexander Shokhin, the economics minister and a moderate reformer who yesterday appeared to be struggling to continue market reform in an inhospitable environment, said that of three different strategies being considered for wider economic reform,the most appealing was the proposal for price controls, at least on "natural monopolies" such as rail traffic, electricity supply and other services.

The non-payments crisis, affecting in particular such basic industries as coal and steel, has been hugely aggravated by the uncontrolled steep price rises brought in by the railways and the electricity companies.

The independent miners' union yesterday again threatened action because of delays of months in payments to its members.

Other former Soviet republics, still supplied by Russia at below world prices, are among the largest debtors.

The gas monopoly Gasprom said yesterday that, while it was working flat out supplying Russia and the "near abroad", it had received almost no payments for January and had sent "final demands" to the governments of Ukraine, Belarus and Moldova.

These countries, without significant energy resources except coal, owe many billions of roubles to the Russian suppliers. Ukraine alone owes more than Rbs1,000bn for gas deliveries.

Gasprom said payments were outstanding from Ukraine and Belarus for just under half the gas supplied up to the start of January, and for nearly 90 per cent of that supplied to Moldova.

Mr Vyacheslav Kebich, the Belarussian prime minister, underscored the urgency of the energy issue facing his country when he said that "if energy prices in Russia and Belarus are not kept the same, then I will not sign the agreement to merge the two countries' monetary systems".

The draft agreement for this, which Mr Shokhin said could be signed next week, in effect reintegrates the Belarus economy back into Russia.

The cost to Russia may be the conversion of the devalued Belarussian currency into roubles at an unfavourable rate, the supply of cheap energy and the opening of credit lines to Belarussian industries.

Mr Shokhin spent much of his day yesterday meeting three groups of economists, all of whom had presented plans to address the economic crisis to the collegium of the economics ministry. The three groups – led by Professor Stanislav Shatalin, a former adviser to Mr Mikhail Gorbachev, Mr Sergei Glaziev, a former trade minister and Mr Yevgeny Saburov,a government economic consultant – all have proposed wage and price controls and more state intervention.

Budget requests in brown envelopes, Page 2

Hoechst may spin off fibres division in cost cutting move

By David Waller in Frankfurt and Daniel Green in London

Hoechst, the German chemicals group, may hive off its European fibres operations in an effort to cut costs.

Hoechst is Europe's biggest polyester manufacturer. Its fibres division had sales of DM5.1bn ($2.9bn) in the first nine months of 1993 and it employs 9,000 people in Europe.

Although profitable globally, the fibres division is heavily loss-making in Europe. Any move to separate fibres from the rest of the company should be seen against the background of the "extremely unsatisfactory" earnings position, the company said yesterday.

Hoechst has already rationalised its fibre activities: last month it said it would be cutting 2,000 jobs, mostly in Germany, by the end of the year.

"Almost all our competitors pursue their business in this sector via legally independent subsidiaries," Hoechst said in a statement, citing Akzo of the Netherlands, Rhone-Poulenc of France, Courtaulds of the UK, German rival Bayer and several other German companies.

News that Hoechst is considering the move follows Bayer's similar decision. A new subsidiary company, Bayer Faser, will come into being on February 15. Bayer said the change would lead to substantial cost savings and allow it to preserve 1,000 jobs over five years.

The move has led to lower wage costs in the new division because Bayer was able to trim perks and other special payments to employees, without formally leaving the fixed pay scales.

Hoechst denied that it intended to cut wages, but did say that its plan would cut costs.

Mr Rolf Brand, chairman of the workers' council at Hoechst, said yesterday that a decision was not likely to be reached until towards the end of the year.

"We are currently working on a major reduction of personnel in this area, and we will investigate whether it is sensible to establish fibres as a separate company," Mr Brand said.

The move would not be the first step Hoechst has taken to rationalise its fibres businesses. Last year it merged production of acrylic and viscose fibres into a new joint venture, Faserwerk Kelheim. Courtaulds, the UK chemicals group, is taking a 74.9 per cent stake in this, subject to cartel authorities' approval.

One of the forces behind such changes is the dire state of the European and especially German textiles industry, the buyers of fibres. Last month Hoechst said price competition and structural change in the European textile industry had been behind a lasting deterioration of earnings in the fibres division, and restructuring was therefore unavoidable.

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Chemical empires splinter, Page 17

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Politicians call for new BNL board

By Robert Graham in Rome and Haig Simonian in Milan

A group of Italian politicians yesterday called on the government to appoint a new board to BNL, the treasury-controlled commercial bank, whose chairman, Mr Gianpiero Cantoni, was forced to step down on Monday because of magistrates' investigations into alleged corruption.

The call came from senators in the parliamentary commission investigating the $4bn worth of unauthorised loans issued to Iraq by BNL's Atlanta branch which came to light in 1989.

Mr Cantoni was brought in to clean up the problems left by BNL-Atlanta and there has been no suggestion he has been linked to Atlanta. But he was a Socialist appointee: as such the latest problems at the bank have highlighted how Italy's ruling parties have carved up the top posts in the state-dominated bank system.

In a statement the group of senators said: "The government should intervene immediately. The leadership needs to be renewed to provide stability for the bank."

A majority of the senators on the BNL-Atlanta commission, however, rejected the view that the bank was a "victim" of the Atlanta scandal. This view was contained in the conclusion of a report delivered yesterday by Mr Giampaolo Mora, the commission's president.

The majority backed the line taken by the US Congress' Banking Committee, headed by Mr Henry Gonzalez, that the Rome head office was aware of the operations of its Atlanta branch. Both BNL executives and members of the then Christian Democrat-led government have denied such knowledge at headquarters.

Yesterday in a potentially significant related development, President Bill Clinton gave the green light for new guidelines permitting a more liberal declassification of documents relating to the BNL-Atlanta affair. In turn this gave renewed impetus to the efforts of Mr Gonzalez' committee to establish the truth.

The call for management changes at BNL also focused attention on the issue of BNL's under-capitalisation. In a treasury paper outlining government plans for privatisation prepared in November 1992, BNL was estimated to need at least L2,000bn ($1.173bn) to improve capital ratios.

In Milan yesterday, Mr Mario Draghi, director-general of the treasury, said the treasury remained committed to the recapitalisation and implied this might come about within the year.

Mr Cantoni himself was yesterday required by Milan magistrates to confront Mr Achise Marcori, former Socialist councillor at Segrate, a Milan suburb. This followed claims by Mr Marcori he received L200m from Mr Cantoni linked to a property development.

Money oils old Russian machine

By Leyla Boulton in Moscow

Mr Andrei Illarionov, the prime minister's former chief economist, is the latest in a string of reformers to leave the Russian government saying it is bound hand and foot to special interests.

Speaking immediately after his resignation earlier this week, Mr Illarionov said Prime Minister Victor Chernomyrdin's proclaimed end to "the age of market romanticism" had translated into a return to pandering to representatives of industry and agriculture – who delivered their requests for budgetary expenditure in plain envelopes.

Mr Illarionov, recalled in particular a visit to Lenin's home town of Ulyanovsk, where he was sent by Mr Chernomyrdin to investigate whether a local scheme fixing prices could be extended to the whole of the country.

After being given much food and drink, Mr Illarionov was handed an envelope. The officials told him it contained a "a special letter for the prime minister" – a request for Rbs3bn to help Aviastar, the local aviation plant.

"I tried not to take the letter at all," he recalls, grinning at his own naivety. "I did not want to lobby for any interests." But finally, he took the letter and decided to give it to Mr Chernomyrdin "to see what would happen".

"I said, 'Victor Stepanovich, I do not know what we should do. I have never got such a letter in my life. Perhaps we should give it to the finance ministry to see if they've got the money'. He said 'Why? Give it to me. Le's see if they need help. When you will see such requests, give them to me'."

Ms Ella Pamfilova, who resigned as social affairs minister, said at the weekend she believed Russia's new leaders were "gathering power into their hands to preserve the bureaucratic system of distribution as their main source of income". Things have deteriorated sharply since the departure of the first reformist government of Mr Yegor Gaidar, said Mr Illarionov.

"Even under Gaidar, it was not possible to leave a government office in a drunken state. Now it happens very often. Ask the drivers who take people home." He would not be drawn on whether he had seen ministers in a drunken state, saying simply that "people in the apparatus do the same things as their chiefs".

Mr Boris Fyodorov, the former finance minister, made similar allegations at the time of his resignation last month.

Mr Fyodorov, who admitted he never travelled around Russia because "such trips end up being just 'promising' trips", said it was his attempt to impose fiscal discipline which really angered colleagues like Mr Alexander Zaveriukha, deputy prime minister for agriculture. While he could control spending he could not control the spending promises of others. "You find that in 90 per cent of cases, money is misspent or people did not need it."

Subsidies rarely reached their targets, thanks to corruption and inefficiency, while those most in need of support felt abandoned by the government.

"If you stand in front of the British Treasury for an hour and shout, nobody will give you any money," Mr Fyodorov said. "But here it works, so why should people stop doing it?"

Former Russian reform chief Yegor Gaidar (right) taking his place with deputy prime minister Alexander Zaveriukha on the podium of the National Farmers' Congress in Moscow yesterday. The farmers have been accorded a financial support package Reuter

Polish leaders patch up quarrel

By Christopher Bobinski in Warsaw

The leaders of Poland's two-party coalition have patched up their differences after a bruising clash over control of economic policy sparked by the resignation of Mr Marek Borowski, deputy premier and finance minister.

The compromise, which came on the eve of yesterday's large demonstration in Warsaw by the Solidarity trade union, commits the coalition partners, the Social Democrats (SLD) and the Peasant Party (PSL), to support this year's draft budget but saw the SLD forced to abandon its support for Mr Borowski. The SLD is now searching for a new candidate to head the finance ministry.

Meanwhile, Solidarity put well over 20,000 supporters onto the street in its first public challenge to the coalition government, which has its roots in the communist past.

The union is demanding changes in the budget to increase public-sector wages and cut planned energy price rises; it threatens to back its demands with selective industrial action.

The draft budget which goes to a final vote in parliament at the beginning of next month has been agreed with the International Monetary Fund.

The budget is central to Poland's chances of winning a 20 per cent reduction in its $32bn Paris Club debt at the end of March. The reduction is linked to IMF approval of the country's economic policies.

During the crisis Mr Waldemar Pawlak, the prime minister and PSL leader, indicated he would push for more expansionary policies and criticised the tight budget prepared under Mr Borowski's direction as being "a liberal continuation", in a reference to the practice of free market governments since 1989.

Now Mr Alexander Kwasniewski, SLD leader, who lost ground in the eyes of the public during the clash, has managed to bring Mr Pawlak around to supporting the budget. But he lost Mr Borowski and only managed to salvage the principle that the finance ministry stays within the sphere of influence of the SLD, as originally agreed when the government was established last autumn.

NEWS IN BRIEF

Romania approves IMF-led reforms

The Romanian senate last night approved a tough economic reform package agreed with the International Monetary Fund that will clear the way for an 18-month standby arrangement and loans worth $700m, writes Virginia Marsh from Bucharest.

Under the arrangement, the Romanian government has agreed to liberalise the exchange rate by April, to take measures to cut inflation which jumped to 296 per cent in 1993, and to restructure and privatise the state sector. The government reached agreement with the fund in December but, due to political disputes with its left-wing and nationalist allies, did not present the programme to parliament for ratification until this week.

The loans will provide Romania with badly-needed balance of payments support. The central bank's hard currency reserves fell to just $40m in December.

Boost for French films

The French government yesterday announced plans to boost exports of French films with a FFr100m ($16.8m) package phased over four years that includes production subsidies and promotional support, writes Alice Rawsthorn from Paris. Mr Jacques Toubon, the arts minister who, during the Gatt negotiations last autumn, led the French lobby to stem the flow of US movies into Europe, unveiled a number of measures. These included a FFr5m grant for the second French film festival in the Japanese city of Yokohama. The minister hopes to double the number of French films shown in the US and to increase exports to central and eastern Europe.

Balladur losing support

The popularity of Mr Edouard Balladur, French prime minister, has dropped sharply since the beginning of the year and he now has the support of just over half of voters, according to an opinion poll published yesterday, Reuter reports from Paris.

The Gallup survey for the weekly L'Express said 52 per cent of those questioned approved of Mr Balladur's policies, down from 59 per cent a month ago. The percentage of those who disapproved rose 8 points to 39 per cent.

Clarke lobbies for Brittan

Sir Leon Brittan deserved the backing of France as well as the UK for the European Commission presidency for the skill with which he had reconciled the two governments' opposing stances in the Gatt trade negotiations, Mr Kenneth Clarke, UK chancellor of the exchequer, said in Paris yesterday, writes David Buchan from Paris. Mr Clarke also used a two-day visit to Paris to lobby for another UK candidate, Lord Lawson, as head of the Organisation for Economic Co-operation and Development. The present French incumbent at the OECD, Mr Jean-Claude Paye, wants to stay on, but Mr Jacque Delors is due to retire as Commission president.

Video games control pact

Video games manufacturers throughout Europe have agreed a rating system for software that will allow parents to gauge levels of sex and violence in games before purchase, writes Diane Summers. The move to self-regulation is intended to head off any attempts to introduce statutory controls and comes as manufacturers in the US have announced plans to introduce a similar voluntary system. The European Leisure Software Publishers Association, which says it represents all the software publishers in the region, announced yesterday that four categories of games would be introduced: those suitable for children aged 0-10, 11-14, 15-17, and 18 plus.

EU call for Chinese ban

The European Union should ban the sale of goods produced by forced labour in China until Beijing ends the practice and improves human rights, the European parliament said yesterday, Reuter reports from Strasbourg.

Calling for the inclusion of a human rights clause in EU trade agreements with third countries, the parliament said it would not approve any new co-operation agreement with China until there were "significant changes" there.

Latvia seeks UK backing

Mr Anatolijs Gorbunovs, speaker of the Latvian parliament, said the future of the powerful, Soviet-era early warning radar station at Skrunda and the prospects for withdrawal of the estimated 13,000 Russian troops still in Latvia were high on his agenda of talks with the British government this week, writes Anthony Robinson. Mr Gorbunovs said the Baltic state was seeking support for its plan to put the former Soviet base under international supervision until it could be dismantled.

Lisbon shares claim overruled

By Peter Wise in Lisbon

A Portuguese court has made a landmark ruling against a group of former shareholders seeking Es20bn ($114m) from the government in compensation for the loss of holdings nationalised following the 1974 revolution.

The ruling in the first compensation case to reach a conclusion is a victory for the centre-right government, which is facing at least three other important claims in the courts.

After a bitter legal battle that began in 1987, a Lisbon civil court ruled against the claim by five former shareholders in 10 companies, including eight banks, that were nationalised by a Communist-led government in 1975.

The group sought Es20bn in compensation based on the market value of their shares at the time of the nationalisation and an additional compensation to make up for monetary depreciation. But the court ruled in favour of a government proposal to pay them only Es1bn.

Mr Joao Rocha, one of the former shareholders, said they would take their case to the court of appeal in Portugal. They are already pursuing a legal action against the Portuguese state at the European Court in Strasbourg.

In what Mr Luso Soares, a lawyer for the group, described as an historic case, they had succeeded in moving their claim out of Portugal's administrative court system into the civil court. But judges there ruled that nationalisation was a political act that did not require the state to compensate former owners in full or pay interest on delayed compensation payments.

Other cases before the courts include a claim by Mr Luis Champalimaud, an entrepreneur, for Es1bn in compensation for the loss of holdings in 13 nationalised companies, and a claim by Mr Sergio Geraldes Barba for a similar amount in compensation for the nationalisation of Socarmar, a fishing company he owned.

A ruling in favour of any of these claims would be likely to trigger a rush to the courts by other investors and former owners who lost their holdings in the nationalisations of 1975.

Most of the state takeovers of Portugal's financial and industrial companies have been, or will be, reversed by a reprivatisation programme that began in 1989.

However, although the government has already reached out-of-court settlements with most foreign former shareholders, expropriated Portuguese investors are still fighting for what they consider adequate compensation.

Government bodies are ordered to change the way they hire staff

Bonn boosts part-time work

By Quentin Peel in Bonn

The German government has ordered government ministries and federal agencies to offer all their vacancies in future to part-time as well as full-time workers, as part of a programme to promote part-time employment.

The move was agreed by the cabinet in Bonn yesterday, following publication of Monday's grim unemployment figures, which topped 4m for the first time in the history of the federal republic.

Ms Angela Merkel, minister for youth and women's affairs, said federal agencies had been told to report back on their progress in encouraging part-time workers, who must be offered the same career prospects as full-time civil servants.

The government maintains that 2.5m workers, mainly women, would like to work in part-time jobs. However, currently only 17 per cent of jobs in Germany are worked part-time, compared with 34 per cent in the Netherlands.

Ms Merkel said that a recent study indicated that at least 1.5m jobs could be created by work sharing, and that 30 per cent of workers were ready to work less and earn less.

The latest moves are part of the government's programme of deregulation and privatisation measures, which amount to the main element in its job-creation strategy.

Yesterday, Mr Günter Rexrodt, economics minister, again urged an acceleration in deregulation and privatisation, measures, he said, which had enjoyed widespread support at a conference in Bonn on the problem of Germany's lack of international competitiveness.

He called for privatisation of the savings bank network – a move fiercely resisted by the banks themselves – as well as the break-up of the monopoly control of the gas and electricity grids.

● The cabinet yesterday approved a new motorway tax for road haulage operators, who will have to pay up to DM2,500 (£954) a year for heavy trucks.

Mr Matthias Wissman, the transport minister, said it was possible a similar tax would be introduced for passenger cars, but not before the end of the year.

Germany wants such a measure to be introduced throughout the European Union.

More than 20,000 German engineering workers demonstrated in the town of Mannheim yesterday to protest against employer calls for a wage freeze and benefit cuts, Reuter reports from Mannheim.

The protest was part of a campaign of token stoppages across Germany over the past 10 days.

Mr Klaus Zwickel, head of Germany's IG Metall union, warned employers about the consequences of a strike in the engineering sector and said the union was prepared to make a compromise. But it was not prepared to make all the sacrifices and carry all the burdens of companies' cost-cutting plans.

Union and employer officials are meeting on Friday for talks to try to solve the dispute.

Refugees find doors bolted

Financial constraints are forcing Europe to tighten procedures against asylum seekers, write Gillian Tett and Judy Dempsey

As the European Commission mulls over its recent discussion paper on asylum and immigration, a small drama has begun to unfold in Germany that threatens to add a new edge of controversy to the debate.

Immigration offices across Germany have notified the tens of thousands of Croat refugees who have fled from the former Yugoslavia that they will have to start returning to Croatia from April 1.

The United Nations High Commissioner for Refugees has warned that, if the Croats – who number between 70,000 and 100,000 – are deported, many would find themselves being returned to places currently controlled by the Serbs, or else to places where their homes have been destroyed.

But with Germany facing an acute shortage of suitable accommodation for the refugees, the authorities seem determined to lift the deportation ban which previously guaranteed the Croats' right of refuge, even though they had not applied for political asylum.

The German decision stems not so much from political pressure from the far right, but rather from the intense financial constraints adding a new edge of urgency to the EU's debate on the issue.

In the past 10 years asylum applications across Europe have risen tenfold – from some 65,400 a year in 1982 to nearly 680,000 in 1992, with Germany alone accounting for nearly 75 per cent of this.

One reason has been the growing availability of air travel, which has brought political refugees from places as diverse as Sri Lanka and Somalia into Europe's airports and sea ports.

However, another reason has been Europe's tough immigration policies, which have left many would-be immigrants convinced that their best chance of entry lies with an application for political asylum.

The tightening of procedures has itself generated new problems for neighbouring countries. After Germany tightened its regulations, both Belgium and the Netherlands saw a rise in applications

In an attempt to combat these so called "economic migrants", the Commission is now calling for greater co-ordination between the member states, both in their policies to keep out the illegal migrants, and in their treatment of legally resident immigrants.

Meanwhile, one by one the European countries have been tightening their own asylum procedures.

Last summer Germany rescinded its constitutional right of stay for political refugees and added new amendments to its liberal asylum laws which mean that those entering Germany via a safe, third country can be sent back to that country.

The British Home Office has taken on nearly 500 extra staff to deal with asylum applications, toughened its methods of detecting fraudulent applications and introduced vigorous new fines for airlines and ships which carry illegal immigrants.

Partly as a result of these procedures, asylum applications fell last year for the first time in ten years, to slightly over 550,000, compared to 679,900 in 1992.

The main factor in this was a 25 per cent fall in the German applications. However, falls were also seen in the UK and France, which together received a total of 55,007 last year, down from a combined total of 104,200 applications in 1991.

Meanwhile, as Mr Henrik Oleson, of the intergovernmental consultations on refugees points out, these overall figures conceal an even greater fall in the numbers of Third World refugees, since the total includes the huge increase in refugees from the former Yugoslavia.

Governments insist that, even with this reduction, this figure is still far more than European governments can bear – the immigration budget in Germany last year reached DM5bn, while in the UK the comparable figure was £1.4bn.

However, the new procedures have provoked strong protests from some refugee groups, who argue this is discriminating against genuine refugees.

The UNHCR has collected a dossier of stories which illustrate that in some cases airline staff have unwittingly turned away valid claims of political persecution, while refugees who reach Europe are often left for long periods in limbo, with their legal rights varying significantly between countries.

The tightening of procedures has itself generated new problems for neighbouring countries, as asylum seekers look for new points of entry.

After Germany tightened its regulations last year, both Belgium and the Netherlands saw a rise in applications.

The European Commission believes the solution to this problem is better co-ordination among member states, both in its treatment of legal immigrants and in its policies to deter the false asylum seekers.

Refugee groups are already warning that if Europe adopts a more co-ordinated policy, as the Commission's recent paper suggests, this could create a spill-over in eastern Europe.

"We are already seeing rising numbers of refugees in countries like Poland and the Czech republic, and these countries do not have the resources or experience to deal with this," says Mr Philip Rudge, director of the European Council for Refugees and Exiles.

Unless the German government changes its latest policy, it seems that the 100,000 Croat refugees currently living Germany will soon become the latest statistic in this trend.

Many in the refugee world argue that the best long-term solution would be a more open immigration policy that gave would-be immigrants a chance of entering Europe in more legal manner.

New ploy by French in quest for jobs

By David Buchan in Paris

French employees will be able to convert money from company profit-sharing schemes into paid holiday if another government plan designed to reduce the country's record unemployment wins approval.

The proposed money-for-time exchange is included in an update of the 1966 worker participation law proposed by the French cabinet yesterday. Another feature of the scheme, yet to be approved by parliament, would allow employees to take profit shares early provided they spend the money on a car or home improvements.

● Company chiefs are forecasting that investment will have risen by 3 per cent in January, reversing a steady fall since 1991, according to a survey by Insee, the government statistics agency. The economy ministry said the survey backed up its predictions of "a gradual recovery" of investment intentions.

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Yeltsin tries to head off air strikes

President Boris Yeltsin is in urgent contact with world leaders in an apparent bid to avert a western military strike against Bosnia's Serbs that could cause him severe problems at home, Mr Anatoly Krasikov, Kremlin spokesman, said yesterday, Reuter reports from Moscow.

Mr Krasikov said Mr Yeltsin believed "the medicine should not be worse than the disease."

The comment set out the Russian leader's opposition to proposed air strikes on Serb positions around Sarajevo.

The former Yugoslavia is one area of world politics where Russia – with historic ties with Serbia and the Serbs – has retained at least the semblance of the status of a world power.

Romania also spoke out yesterday against Nato strikes, and Greece said it would not allow Nato to use air support bases on its territory. Mr Evangelos Venizelos, Greek government spokesman, said that Athens would withdraw its crews from Nato surveillance aircraft over Bosnia if the alliance launched air strikes.

"Our position is clear," Mr Venizelos said yesterday as Nato ambassadors met in Brussels. Athens opposed military intervention anywhere in former Yugoslavia, he added, and Greece's Nato ambassador would make this point clear at the Brussels meeting, he said.

Romanian officials said a negotiated, political settlement was "the only viable solution."

In Moscow yesterday, parliament discussed the question of sanctions against Serbia and Montenegro, and the possible withdrawal of the 1,200 Russian peacekeeping troops from the former Yugoslavia.

The effect of sanctions on surrounding regions was also discussed in Geneva, where ministers from seven countries close to former Yugoslavia met international mediators.

Officials said the mediators, Lord Owen and Mr Thorvald Stoltenberg, wanted the regional ministers to consider reconstruction needs in and around Serbia and Montenegro once the conflicts were settled.

About 140 fighters and bombers await the last throw of the dice on Bosnia

Nato's jets converge with its diplomacy

By Our Foreign Staff

The Nato alliance has more than 140 aircraft at bases in Italy and on aircraft carriers in the Adriatic that could be mobilised if air strikes were sanctioned against Serb positions around Sarajevo, the Bosnian capital.

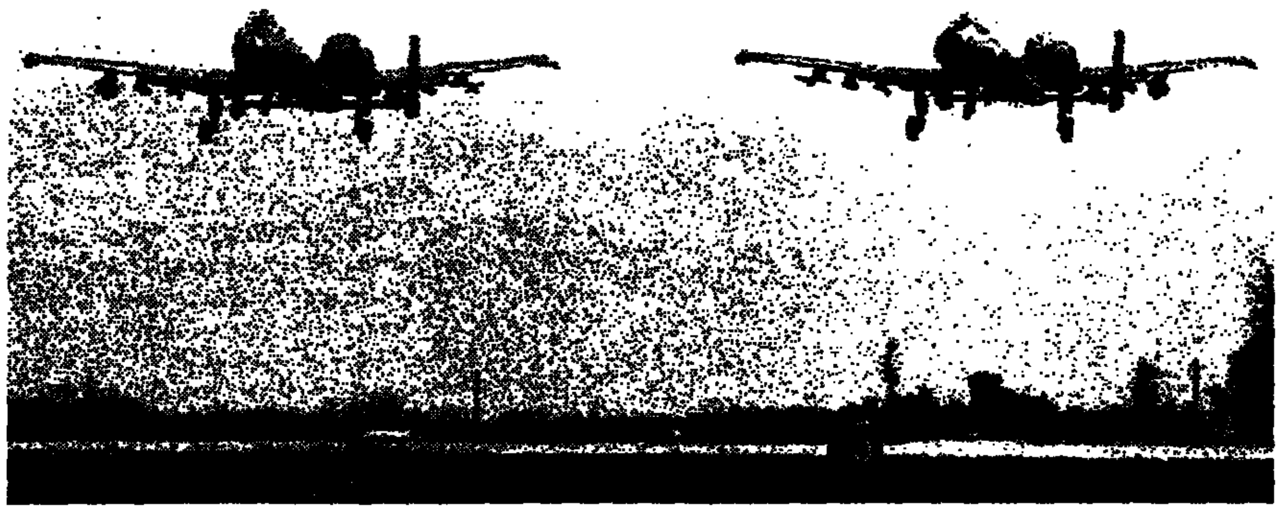
Fighter and support aircraft as well as aircraft carriers from the US, France, the UK, Turkey, the Netherlands, and Spain, are in the region, with some armed jets already patrolling the skies over Bosnia.

Nato aircraft in the region include US F-15s, British Tornadoes and French Super Etendards.

Military sources say the two aircraft best suited to any such raids were the heavily-armed, slow-flying US ground attack aircraft, the A-10, known as the "Warthog", and the AC-130, or "Spectre" converted cargo aircraft.

The Warthog and the Spectre would be particularly well-suited to hitting artillery and mortars hidden in the hilly and wooded terrain around the Bosnian capital.

"They can see targets better because they fly much slower than the high-tech jets, which also have the disadvantage that they need to react with split-second timing if they want to hit the spot," said another military source.



Reuter

Two US Thunderbolt II fighter aircraft taking off yesterday from Aviano airbase in northern Italy for a Nato patrol over Bosnia

The A-10 does not have its wings swept back like higher-profile jets and its two engines are clamped to the fuselage in ungainly fashion. Heavily clad in armour to protect it from anti-aircraft fire, its top speed is just 450 miles (730km) an hour.

Its main weapon is a seven-barrel revolving Gatling gun that can fire up to 70 30mm armour-piercing rounds a second, making a sound like a an industrial saw.

It can also carry 28 500lb (227kg) bombs or even larger laser-guided bombs, six air-to-ground Maverick missiles and has two pods for extra 23mm guns.

Twelve A-10s are based at Aviano in northern Italy.

Two AC-130 Spectre gunships are based at the southern port of Brindisi and the US has two more on standby, ready to send to Italy if needed.

A modified version of the C-130 turbo-prop transport plane, it is armed with a 105mm cannon and heavy machineguns. The aircraft uses sophisticated electronics and laser sights for accuracy in attacking troops, tanks or other equipment.

It usually carries a crew of 14, while the A-10 has just a single pilot. In Italy, the UK has eight Tornadoes at Giola Del Colle in the south, as well as nine Jaguar attack aircraft.

The HMS Ark Royal is alongside in the Adriatic with six Sea Harrier dual-role attack aircraft. The US has more than 40 attack aircraft, including the A-10s and AC130s. It also has 12 F-16s along with air-to-air refuelling aircraft and further attack jets on board the USS Saratoga carrier in the Adriatic.

The French have eight Jaguars and five Mirage reconnaissance aircraft, as well as six Super Etendard fighters based on the Clemenceau carrier.

The Netherlands and Turkey have 18 F-16s between them, based in Italy at Villafranca and Ghedi. Spain has one Casa support aircraft at Vicenza.

US pressed over new laws on shipping

By Charles Batchelor, Transport Correspondent

The European shipping nations and Japan are stepping up lobbying of the US administration over proposed legislation which could damage non-US shipping interests.

The legislation would impose penalties on countries which subsidise their shipbuilding and require ships serving US ports to apply US labour laws.

The Consultative Shipping Group, an informal lobbying organisation representing 14 shipping nations, aims to increase pressure on the US administration, Mr Roger Clarke, its chairman, said.

"We wish to warn the US that if they persist with these measures they run the risk of endangering international shipping," said Mr Clarke, who is also head of shipping policy at the UK department of transport.

Concern about possible US retaliation against nations which subsidise their shipbuilding follows the adjournment earlier last month of OECD talks aimed at restricting shipbuilding subsidies. These talks are to resume in Paris on March 14-18.

Failure to reach agreement could strengthen pressure for implementation of the Gibbons Bill, at present before Congress, and the Breaux Bill, before the Senate. Both seek to impose penalties on nations which subsidise shipbuilding.

The second area of legislation is the Clay Bill, which would require vessels serving US ports to employ crews according to US labour laws and pay US labour rates, which would severely affect cruise shipping. The group is also worried about tough environmental conditions on tankers serving US ports.

Turkey's economic crisis deepens

By John Murray Brown in Istanbul

Turkey's economic crisis deepened yesterday in the wake of last month's devaluation, with the government forced to raise rates on official paper to a record 125 per cent, amid continued division over economic policy.

With many bankers arguing for a further realignment of the lira, Mrs Tansu Çiller, the prime minister, is facing signs of internal opposition with her own True Path party (DYP), anxious that the economic problems should not affect the party's performance in next month's municipal elections. In a move clearly aimed at appeasing her critics, the prime minister has appointed Mr Cemil Dogan, an old ally of President Suleyman Demirel, as a new co-ordinating minister on the economy, and announced creation of a new money management board.

Turkey devalued by 12 per cent last month after a two-week run on its currency, triggered by the announcement that Moody's and Standard & Poor's, the two leading credit rating agencies, were downgrading Turkish risk.

The crisis resulted in the resignation of central bank governor Bulent Gultekin. A replacement has still to be found. Indeed, when Mrs Çiller moved to offer the job to Mr Zekeriya Yildirim – which the markets would have welcomed – she was forced to retract after reports that he had had consultations with Mr Mesut Yilmaz, leader of the main opposition Motherland party.

Yesterday's sharp increase in Treasury bill rates, which compares with 78 per cent on January 19 for one-year paper, is clearly aimed at sucking in excess lira liquidity which overhangs the market.

Prime Minister Hosokawa meets President Clinton tomorrow, ready to defend his economic policy in the face of persistent US pressure

Tokyo lays groundwork for US talks

By William Dawkins in Tokyo

Japan's draft budget for 1994, *published today, is expected to* rein in current spending but increase allocations for public works projects. Mr Morihiro Hosokawa, the Japanese prime minister, will discuss the budget with US president Bill Clinton tomorrow in Washington along with Japan's Y15,250bn (£91bn) economic pump-priming package.

Japanese businesses have given the stimulus package, announced on Tuesday, a good reception. But the fact that Mr Hosokawa was obliged to tone down plans for a permanent income tax cut, to reconcile a government split on tax reform, disappointed the financial markets, contributing to a 2 per cent decline in Tokyo *share prices yesterday*.

The government's official economic forecaster yesterday predicted that Mr Hosokawa's pump priming measures will deliver a sharp recovery this year. However, this scenario drew widespread scepticism.

The Economic Planning Agency believes gross national product would grow by 2.6 per cent in the fiscal year to March 1995, a figure it admits is more *of a target than than an exact* prediction. Yesterday, the agency belatedly slashed its GNP growth forecast for the current year to the end of March, from 3.3 per cent to 0.2 per cent.

Even Mr Hosokawa appeared sceptical at the scale of the upturn predicted by the EPA, pointing out that there is a gap between the government and private economic forecasts. The consensus among private sector economists in Tokyo is for a fraction of a percentage point slight decline in GNP *this fiscal year, turning to a* rise of around 1 per cent next year.

The EPA's target is based on a 2.4 per cent rise in domestic consumption and a 5.2 per cent rise in private sector investment on homes in the year to March 1995. Private sector forecasts had taken into account the Y5,850bn tax cut in the *package, but not the remaining* Y9,400bn in public works spending, cheap home and business loans and grants, explained an EPA official.

However, the EPA forecasts slow growth in industrial investment in plant and equipment, up 0.1 per cent next year, from an estimated 7.2 per cent decline in the current 12 months. Gloom on the industrial outlook was reinforced *yesterday by a 25.1 per cent* decline in machine tool orders to a 10-year low in 1993, reported by the Japan machine tool builders' association.

By contrast, evidence of a continued improvement in one consumer sector emerged with a 57.5 per cent increase in sales of condominiums in Tokyo last month, according to the real estate economy institute. That represents the 13th monthly rise running, helped by low home loan interest rates and a continued fall in property prices.

See Editorial Comment

Japan Airlines (JAL) is studying the "system" of the *official labour adjustment* fund as an "option" in its large-scale cost-cutting plan, a company spokesman said yesterday, AP-DJ reports from Tokyo. But it has not decided whether to apply for the subsidy, which is paid by the government to cover part of the *labour costs in struggling* industries, he added.

Japan resists US pressure on trade

Michiyo Nakamoto on an impasse in talks aimed to reduce Tokyo's enormous surplus

Mr Morihiro Hosokawa, Japan's prime minister, leaves for Washington today with a smaller bundle of gifts to offer the US president than he would have liked.

The main "offering" is an economic stimulus package, already belittled by US officials as a "moderate step," which he hopes will help convince the US *that his government* is doing what it can to boost domestic demand and reduce the country's enormous trade surplus.

But barring a surprise, Mr Hosokawa will have little to persuade President Bill Clinton and his team of trade negotia*tors that their calls for tangible* results in improving access to Japanese markets have at last been heeded.

Mr Hosokawa was pessimistic that the talks – which were continuing in Washington – could be brought to a successful conclusion before his meeting with President Clinton.

"Everything has come to an impasse," Mr Hosokawa told reporters.

Meanwhile, Mr Tsutomu Hata, the foreign minister, yesterday left for Washington in an effort to save the talks.

The difficulty the US and Japan have in reaching a satisfactory trade agreement lies *more in the method than in the* goal. Both are broadly agreed that Japan needs to stimulate domestic demand, improve access to its markets and bring down its trade surplus and that the US needs to reduce its fiscal deficit, promote saving and strengthen international *competitiveness*.

The problem is, while US negotiators insist on setting clear quantitative indicators of progress to ensure that Japan keeps its part of the deal, Japanese bureaucrats, politicians and businessmen alike insist that such *targets* are unacceptable because they lead to managed trade.

"The US should understand that putting up a certain quantitative goal and trying to achieve it . . . isn't something that can happen in the real business world," Mr Takakazu Kuriyama, Japan's ambassador to the US said recently.

But there is more to the Japanese resistance to numerical targets than a dislike of managed trade. Indeed Japan has never had much difficulty with the idea of managing trade and has long been something of a model of a managed economy. However, they feel there are too many problems with managing trade right now.

For one thing, it goes against the popular call to deregulate the economy. The Hosokawa government's expressed intention to reduce bureaucratic red tape and allow free market forces to play a bigger part in Japanese economic life has gone over well with the public.

A government which has hung on to power largely on the strength of its public popularity would hardly be helping itself by bowing to US pressure for goals which would require bureaucratic meddling with market forces.

In areas such as government procurement where the government can take steps without interfering in private business, some progress has reportedly been made, while there has been no progress in cars and car parts, which are completely in the private sector.

There is also concern about what would happen if such targets were agreed and could not be met. Past experience has proved a bitter lesson for the Japanese: neither the semiconductor agreement and the announcement by Japanese car makers of their procurement plans for foreign car parts were intended as government commitments but have been treated as such by the US.

But just as important as these concerns is a changing public perception of Japan's status in the world order. The country has frequently been criticised for lacking leadership on the world stage comparable to its economic might.

There is a growing urge, not just among bureaucrats, but among younger politicians and the general public as well, to be seen to play a more responsible role. And to do so, Japan cannot constantly bow to foreign pressure but must take its fate into its own hands.

"Japan is ready to carry out its reforms out of its own initiative, and not because of foreign pressure and particularly not because of US pressure," said an official. It was important *to resist US pressure for* targets now to ensure that this point was understood.

"The next summit will be the opening of a new relationship between the two countries on an equal footing," he said.

Little progress in market access discussions

By Michiyo Nakamoto and Paul Abrahams in Tokyo

Mr Hosokawa and President Clinton were due to announce tomorrow the results of talks on four priority market sectors where the US would like to see improved foreign access:

Cars and car parts. The US *claims that* Japan's markets for cars and car parts are "relatively closed" to foreign products. Japan imports only 3 per cent of its cars and 2 per cent of its car parts. Other OECD countries import between 22 and 78 per cent of their cars and 16 to 60 per cent of parts. In addition to improving access to these markets, the US wants qualitative and quantitative indicators to monitor progress.

Japanese officials say to *measure such progress they* would accept the monitoring of past data, such as the number of Japanese dealers selling foreign cars or the number of US car makers selling right-hand drive cars in Japan. However, they are adamantly opposed to setting market share targets or parts procurement plans.

The main reason US car makers have not been success*ful in Japan is that they do not* make cars suited to the Japanese market. While 80 per cent of cars sold in Japan are under 2,000cc, no US car maker sells cars in Japan in that range. Moreover, the industry is in private hands, leaving little room for government action.

Insurance. Japan has the world's second largest insurance market but foreigners have been able *to take only 2 per cent of the* market. This compares with foreign market share of 10 per cent to 34 per cent in other G7 countries. The US blames this on barriers such as a non-transparent regulatory regime and procurement practices based on cross-shareholding equity arrangements. The Japanese side says insurance should not be a trade matter in *the first place.*

Telecommunications equipment procurement. The US claims that while Japan is the second-largest telecommunications market in the world, 5 per cent comprised imports in 1991 compared with an average 25 per cent in other G7 countries. The US, for example, imported 28 per cent of its telecommunications needs.

Foreign companies are disad*vantaged by the lack of access* to procurement information, sole sourcing practices and overly-detailed tender specifications. The US would also like to see NTT, the privatised telecommunications company, included among organisations that would be subject to the government's public procurement guidelines. Japanese officials say that NTT is a private *company and cannot be told* what to buy.

But there are signs of progress in this sector which is an area where the government can act to improve matters without unduly meddling in private business affairs. For example, the government recently announced an action programme to simplify procedures in government procurement, to use open tendering to the greatest extent possible and lower the threshold of government contracts requiring public notice from SDR1m *(£920,000) to SDR800,000.*

Medical equipment procurement. Agreement in this area was announced yesterday by US commerce secretary *Mr Ron* Brown, though no details were available. Concerns centred on poor US penetration of the Jap*anese market.* In 1992, US companies sold equipment worth Y394bn (£2.4bn) to Japan, 28 per cent of a market worth Y1,428bn. US companies account for 47 per cent of the European market.

Although there are no tariffs against American medical equipment, US manufacturers claimed they were disadvantaged by complex Japanese regulations and non-transparent bidding procedures. If Japan imported medical equipment at the same rate as other developed countries, the US *could sell another $3bn a year.*

Socialists clear way to buy Awacs

By William Dawkins

Japan's Social Democratic Party yesterday lifted its objection to the government purchase of two US Airborne Early Warning and Control System aircraft at Y55.4bn (£344m) each.

This will double the number of Boeing-made Awacs in the *Japanese airforce and improve* its ability to detect an attack. The purchase comes when North Korea's suspected nuclear weapons programme has created intense public anxiety. The proposed Awacs purchase was already part of the 1991-1995 defence programme.

The Socialists' change of heart removes a potential block to the government's 1994 draft budget, due to be *unveiled today after being* delayed for two months by the difficulties over political and tax reform.

Another big US purchase, on top of Japan Airlines' decision last week to buy $400m-worth of Pratt & Whitney engines, provides Premier Morihiro Hosokawa with some ammunition against US criticisms of his recent economic pump-priming package, when he *meets President Bill Clinton* tomorrow.

The Socialist party, the biggest partner in the seven-party coalition, opposed the Awacs purchase for pacifist reasons, but lifted its embargo on grounds that the increase in defence spending will be curbed sharply this year. The need to pay "due attention to Japan-US ties" also played a part, a Socialist official conceded.

The defence ministry has asked for a 1.95 per cent budget increase to Y4,730bn, the smallest rise *in 36* years. The finance ministry is understood to be pushing for an even lower figure, to the Socialists' *satisfaction.*

Inkatha to miss deadline for all-race election

By Patti Waldmeir in Johannesburg

The Zulu-based Inkatha Freedom Party last night appeared to have chosen the path of resistance to April's all-race elections, after talks between right-wing groups, the African National Congress and the government ended in failure.

Inkatha officials said the party would almost certainly allow Saturday's deadline for the registration of political parties to pass, meaning they could not legally contest the poll, unless the country's Electoral Act is changed to extend the deadline, a possibility being considered by the government.

But the white right wing indicated it was prepared to continue talking, and might register provisionally, to keep its negotiating options open. This raises the prospect of a split in the conservative Freedom Alliance, which groups Inkatha with the Afrikaner Volksfront (Afrikaner People's Front) and the black homeland of Bophuthatswana, over the issue of electoral participation.

South African business leaders will today travel to the KwaZulu capital Ulundi to make a final attempt to persuade *Inkatha Chief Mango*suthu Buthelezi not to boycott the poll. But their mission appears doomed to almost certain failure.

Chief Buthelezi has made clear he will not take part in elections unless his constitutional demands are met; there *was no sign last night that the* ANC would agree to his demand that regional autonomy should be entrenched, not only in the 1993 "interim" constitution, but in the final constitution to be written by a constituent assembly elected in April.

China's leader Deng Xiaoping, with his daughters, visits a new bridge in Shanghai on his first public appearance in a year — Reuter

Frail Deng makes annual parade

By Tony Walker in Beijing

Deng Xiaoping, China's *reclusive senior leader*, yesterday made a rare appearance on state television to mark the lunar new year holiday.

It was the first time the 89-year-old Deng had surfaced publicly since January last year when he was also shown attending an official ceremony on the eve of Chinese new year.

Chinese TV devoted seven minutes to its coverage of Mr Deng's visit to Shanghai where he has celebrated new year since 1988. He was shown greeting municipal leaders and inspecting a recently-completed bridge over the Yangtze.

Mr Deng appeared more frail *than last year* and required the constant help of two of his daughters. The ageing leader's voice was not heard. Millions *of Chinese viewers could* hardly have avoided the impression that his life is slipping away, but his routine new year appearance was clearly aimed at reassuring people he was still able to fulfil annual commitments.

Failure to show himself in Shanghai at this time would have strengthened rumours that his health problems were terminal. He has been variously reported to be suffering from prostate cancer, and also to have been afflicted by a stroke.

China's leadership has been preparing for Mr Deng's death, but his departure would leave *an enormous gap at the top*, ushering in a period of political uncertainty. Since a high profile visit to southern China in early 1992, Mr Deng has been urging speedier change, as if he realised time was running out for him to ensure his reforms endured.

China's official Xinhua news agency reported that Mr Deng had been in Shanghai for two months, during which time he had visited the city's new Pudong development zone, its leading hotel, main shopping street and famous Bund along the city's waterfront.

Mr Deng was said to have recited a poem after viewing *Shanghai's achievements*: "Watching in joy roads built today is better than reading for scores of years," Xinhua reported.

Mr Chen Yun, another of China's aged leaders, was also shown on television welcoming the new year. Mr Chen, an economic conservative, has often been portrayed as a leading opponent of Mr Deng's "growth-at-all-costs" strategy.

PNG to allow Australian MPs into Bougainville

By Nikki Tait in Sydney

The government of Papua New Guinea yesterday indicated it would allow an Australian parliamentary delegation to assess the security situation on the island of Bougainville and investigate claims of human rights abuses.

The island has been the centre of guerrilla warfare for the past five years, after a revolt by local landowners over the Panguna copper mine previously operated by CRA of Aus*tralia, a subsidiary of the RTZ* mining group. The Panguna mine is one of the world's major copper mines, and CRA began mining copper at Bougainville in 1966.

The landowners' complaints became meshed with secessionist demands, and clashes between the Bougainville Revolutionary Army and the Papua New Guinea defence forces have continued. The mine was mothballed in 1989.

Last year, an Amnesty International report said PNG troops and the BRA had been guilty of human rights abuses, including murder, torture and rape. The report criticised Australian government policies, and urged international action. Access to the island has been virtually impossible.

Yesterday, during a visit to Australia, Mr Paias Wingti, PNG's prime minister, said he had no objection to an Australian delegation visiting the island. "If anyone wants to have a look it's up to them, *provided the timing's right*," he said

Mr Gareth Evans, Australian foreign minister, suggested a visit could take place within a few months, although it was unclear whether a delegation would visit BRA-controlled areas. Relations between Australia and PNG have been stormy over the past year, because of the Bougainville situation and PNG's unhappiness *at Australia's effort* to provide more "tied" aid.

GM to set up Beijing venture

By Our Beijing Staff

General Motors, the world's largest vehicle manufacturer, is to set up a $120m (£82m) joint venture in Beijing to assemble kits to improve engine performance under a contract signed at the weekend.

GM's share will be 51 per *cent. Its partners*, the local Beijing Wan Yuan Corporation and Economic Technology Investment Development Corporation, will take 39 per cent and 10 per cent shares respectively.

The new plant, the Wan Yuan-GM Automotive Electronic Control Company, will begin production later this year. Initial output will be 300,000 units annually with a target double that within a few years. Local components will gradually increase to about 70 per cent. Kits will be fully *imported in the start-up phase.*

The new product, an electronic control system, will be made to suit a wide range of vehicles with minor adjustment. It will help reduce emissions and improve fuel efficiency and engine power.

GM officials are concerned at possible initial resistance of Chinese car makers, but hope the authorities eventually will require all cars to be equipped *with performance enhancing* and emission-control systems.

GM is involved in a number of joint ventures in China, including production *of a* 10-seater van at the Jin Bei plant in north-east China. GM shipped 7,500 US-manufactured vehicles and more than than 1,000 Opel sedans to China in 1993.

NEWS IN BRIEF

India charges 13 over Bombay securities scandal

India's Central Bureau of Investigation has charged 13 people with offences relating to the Bombay financial scandal of 1992, writes Shiraz Sidhva in New Delhi.

Those charged include Mr Harshad Mehta, a former leading Bombay stockbroker, two executives of ANZ Grindlays Bank, and three officers of the government-owned Power Finance Corporation and officials of the State Bank of India and United Commercial Bank.

The charges, filed this week in a special court, accused Mr Mehta, his two brothers and his agent in Delhi with conspiring with officers of the Power Finance Corporation to divert funds worth Rs4.26bn into the Bombay stock markets between 1989-91. Two Grindlays officers, Mr R N Popli and Mr K K Kuda have been charged with crediting Mr Mehta's account with funds they knew were being diverted from the Power Finance Corporation.

NZ rebels force minimum wage

Two rebel National party MPs have forced New Zealand's government to implement a minimum wage for young workers by threatening to vote with the opposition, writes Terry Hall in Wellington.

The government has a majority of only two. Former Finance Minister Ruth Richardson criticised the move, saying the party had capitulated for "political expediency".

The government had argued that minimum rates for under-20s undermined their chances of a getting work. But critics claimed the young were being exploited. Young workers will now be given 60 per cent of the adult minimum wage, or NZ$147 (£56) a week.

Lebanon growth at 7%

Lebanon's economy grew an estimated 7 per cent in 1993 and should expand by 8-10 per cent this year, according to a report by a leading Lebanese bank, Reuter reports. Bank Audi said the growth rate rose from 4 per cent in 1992, powered by gross capital inflows of $4.5bn and by an estimated 21.5 per cent growth in private investment, which reached $2.4bn.

Sudanese flee fighting

Tens of thousands of refugees fled towards the Ugandan border to escape land and air assaults by Sudan's government on towns *held by southern rebels*, agencies report from Pageri. The fighting signals the start of a ground offensive by Khartoum's forces against an SPLA demoralised by internal splits and feuding.

Taiwan agrees trade reforms

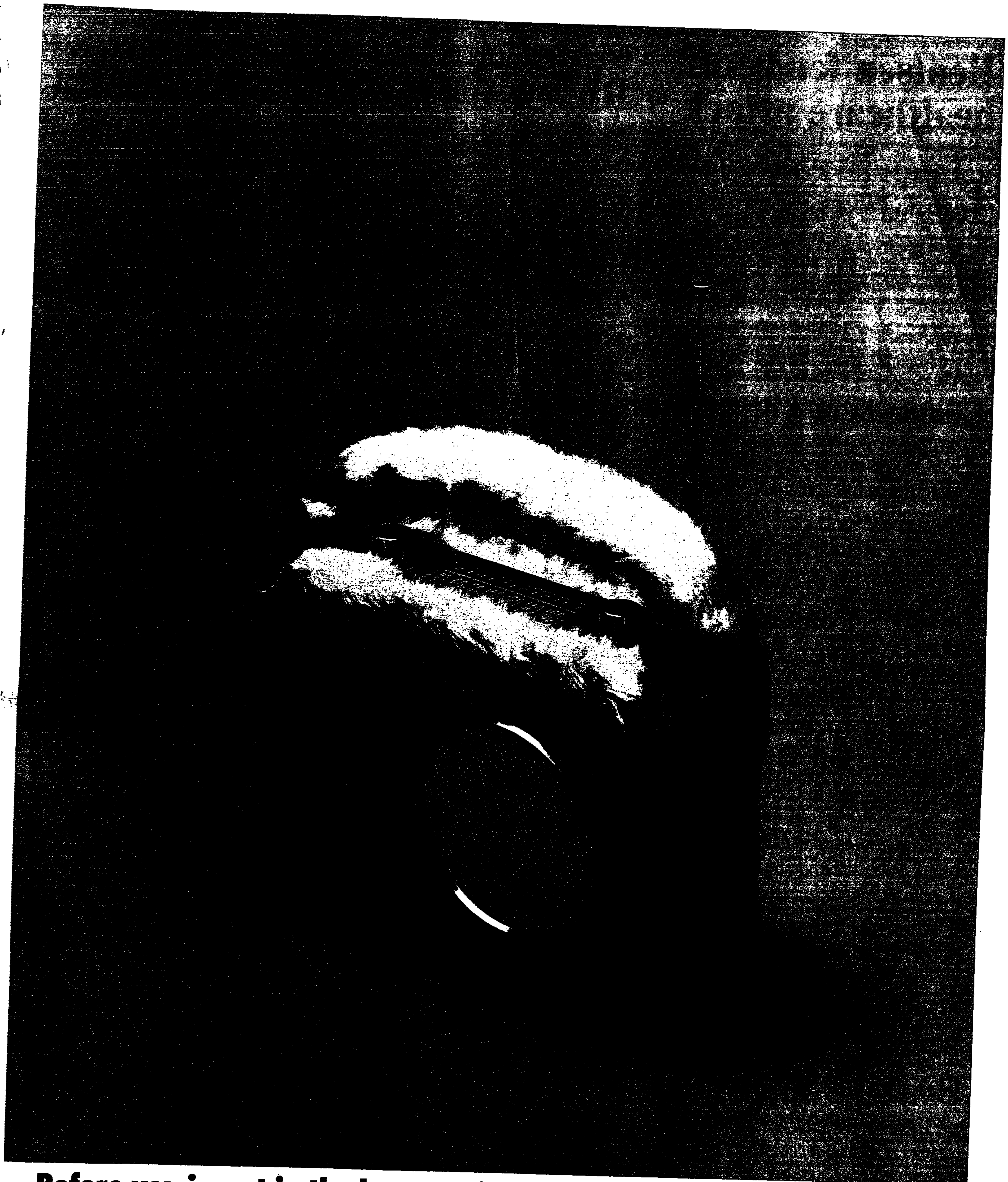
A Taiwanese cabinet committee has approved several previously announced trade reforms as part of the island's bid to join the General Agreement on Tariffs and Trade this year, Reuter reports from Taipei. The cabinet's Gatt Strategy Committee passed proposals to ease Taiwan's ban on rice imports, change fees levied on users of its ports and alter its tobacco and liquor import tax system.

Oman plans gas joint venture

Oman approved a natural gas joint venture with western and Japanese firms on Wednesday as part of a $6bn (£4bn) gas export project, Reuter reports from Muscat.

The venture will build a plant to liquefy 23m cubic metres per day of Omani natural gas and buy tankers to transport it to *markets abroad. The company* is part of a larger project including a state-owned venture to pump gas to the plant from offshore fields. The official put the project's total cost at $6bn at June 1993 prices.

Oman will hold a 51 per cent share in the company, Royal Dutch Shell 34 per cent, Total 6 per cent, Partex (Oman) 2 per cent, Mitsui and Mitsubishi 3 per cent each and Itochu 1 per cent.



Bentsen fends off healthcare attack

By George Graham in Washington

The Clinton administration counter-attacked yesterday as it sought to rebound from a setback to the credibility of its healthcare reform plan.

Mr Lloyd Bentsen, Treasury secretary, dismissed worries that the Clinton plan had been dealt a fatal blow by Tuesday's report from the independent Congressional Budget Office. That suggested that, far from reducing the federal budget deficit by $59bn over the next six years, it would increase it by $74bn.

Mr Bentsen pointed to the study's calculation that the Clinton proposals would lower the US's overall health spending by $30bn in the year 2000 and by $150bn in 2004, and its conclusion that the reform would reduce the budget deficit in the long term, though not until 2004.

"The report.... proves we can guarantee all Americans private health insurance coverage by the year 2000, and at the same time reduce what we spend on health care overall," Mr Bentsen told the Senate budget committee yesterday.

If Congress accepts the CBO's calculations of the effect on the deficit, however, it might compel the administration to introduce more controversial taxes as part of its reform package. At the moment, the only significant tax increase in the plan is a quadrupling of the cigarette tax to 99 cents a pack.

Underlying the CBO's analysis is the conviction that the health care system urgently needs some kind of reform.

"The inherent uncertainties of change must be weighed against the detrimental consequences of the current system – increasing numbers of people who lack the security of insurance coverage for healthcare and the rapidly rising costs of that care," the report says.

The CBO also rebuts fears that the Clinton reform would severely disrupt the US economy, although it notes that the effects on individual businesses and people could be large.

Although the CBO suggests the plan could reduce overall employment by between ¼ and 1 per cent, this would not, however, result so much from small businesses shedding workers because they could not afford their mandatory health insurance, as from workers retiring early because they no longer needed a job in order to keep their health insurance.

Overall, businesses would end up paying about $90bn (£60bn) less for health insurance in 2004 than they would if the current system continued, the CBO said, and the Clinton reform plan would have little appreciable effect on the US trade balance.

Clinton in new drugs push

By George Graham

President Bill Clinton yesterday promised a new approach to crime and drugs "that is both tough and smart," with an increased budget and more attention to treatment for drug addicts.

In a speech to inmates at a Maryland prison, Mr Clinton said his administration's anti-drug budget would rise by $1bn next year to $13.2bn (£8.8bn), with most of the increase for prevention and treatment, where spending would be boosted by 18 per cent to $5.4bn.

"No nation can fight crime and drugs without dealing honestly and forthrightly with the problem of drug addiction," Mr Clinton said, promising to put 140,000 more hard core drug users into treatment next year.

"Drug treatment reduces criminality, it's just that simple," added Vice-president Al Gore.

The administration plans to increase spending on international drug programmes such as promoting alternative crops, but will cut the money spent on anti-drug patrols.

"The best long term approach to reducing the flow of drugs across our borders is to reduce the demand for drugs within our borders," the administration's budget says.

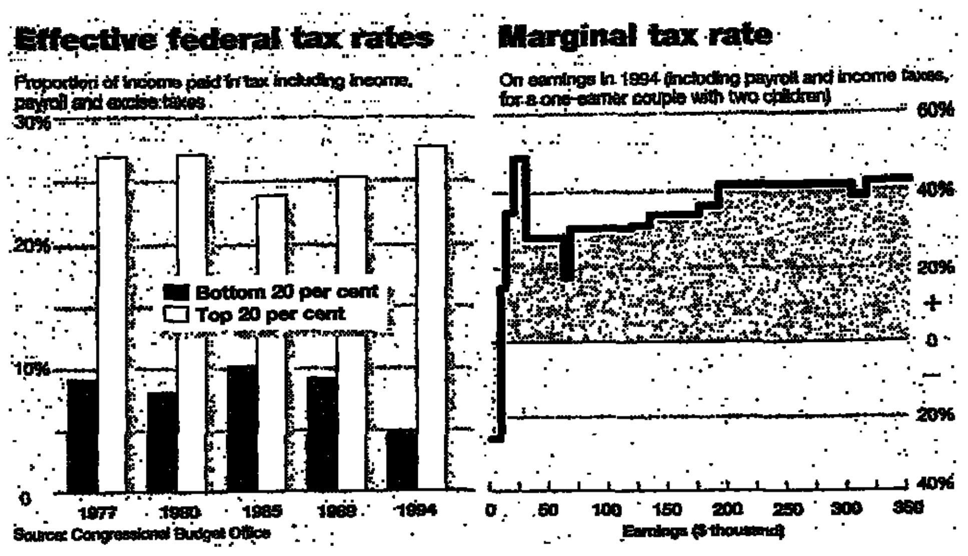
The new strategy outlined by Mr Clinton yesterday conforms to his administration's earlier promise to strike a more even balance between law enforcement and treatment.

Last year, however, that promise was criticised as hollow because it was not backed up by budget resources.

Mr Lee Brown, the White House drug policy director, said that the new strategy was "backed by the funds required to put it into action."

Reaganomics' winners are paying for a more egalitarian system

Rich given a heavier tax burden




Clinton: "dramatic changes that restored fairness" Associated Press

By Michael Prowse in Washington

President Bill Clinton has wiped away Reaganomics. Estimates in this week's budget confirm that fiscal changes enacted last year will more than offset the impact of tax cuts for the wealthy during the 1980s. The federal tax system is now more egalitarian than in the late 1970s when Jimmy Carter occupied the White House.

The two most important changes were the sharp increase in the marginal tax rate on high earners – to nearly 43 per cent against 28 per cent as recently as 1990 – and the big expansion of the earned-income tax credit (EITC), a kind of negative income tax that provides cash rebates for about 15m low-income working families.

In a foreword to this year's budget, Mr Clinton drew attention to "dramatic changes that had restored fairness to the tax code". He emphasised once again that 80 per cent of the burden of last year's tax increases would be borne by the richest 1.2 per cent of families – those with annual incomes of $200,000 (£134,000) or more. Starting this April such families will be liable for tax increases averaging $23,500 a year, generating, it is hoped, an extra $33bn in federal revenue.

Middle income families will face tax increases averaging a few hundred dollars a year. Families earning $30,000 or less will enjoy tax cuts.

The independent Congressional Budget Office (CBO) estimates federal taxes (income, payroll and excise) this year will absorb 27.7 per cent of the incomes of the richest 20 per cent of families, compared with 27.3 per cent in 1977 and less than 25 per cent at the height of Reaganomics in 1985.

The bottom 20 per cent will pay 5.1 per cent of their incomes in tax compared with nearly 10 per cent in 1977. Thanks to the expansion of the EITC, the effective subsidy received by such families will be 10 times as large as in 1977, according to the CBO.

The tax gyrations of the past 16 years have had relatively little impact on the bulk of middle income households. Such families did not benefit significantly from the Reagan tax cuts, nor have they suffered much from the Clinton tax increases.

The new top tax rate of nearly 43 per cent on high earners reflects the combined impact of a new top income tax rate of 39.6 per cent, the phasing out of itemised deductions and the lifting of the previous ceiling on Medicare payroll taxes. (High earners also face state income taxes which in some cases will push the overall marginal tax rate above 50 per cent.)

As the spike in the chart illustrates, the phasing out of the EITC subsidies as incomes rise will impose high effective marginal rates on many low-income families, creating potentially serious work disincentives. CBO calculations suggest a couple with two children earning $20,000-$25,000 a year could face a marginal tax rate of more than 49 per cent. This reflects the combined impact of income tax, payroll taxes and the loss of 21 cents of EITC payments for every dollar of additional earnings.

Mr Clinton accelerated, but did not initiate, the shift toward a more progressive tax system – one that places a proportionately larger burden on the wealthy. In the 1990 budget accord President George Bush took an important step in raising the top tax rate from 28 per cent to 31 per cent and placing tougher curbs on itemised deductions and personal exemptions for wealthy families.

The shift in the tax burden from poor to rich would have been even more pronounced but for the steadily increased reliance placed on social insurance taxes, which are less progressive than income taxes. They will account for about 37 per cent of federal revenue this year against 30 per cent in 1977.

Senior officials are confident they can extract substantially more tax from America's wealthy families. However, some independent experts, such as Professor Martin Feldstein of Harvard University, argue the rich – who can afford the best tax lawyers – will report less taxable income, take more leisure and find other legal ways of avoiding the higher taxes.

If this happens, the progressivity of the tax system could fall short of the theoretical calculations – and the federal deficit will not fall as rapidly as expected.

Talbott nears approval

By Jurek Martin in Washington

The Senate foreign relations committee yesterday approved by 17 votes to one the nomination of Mr Strobe Talbott to be the new US deputy secretary of state.

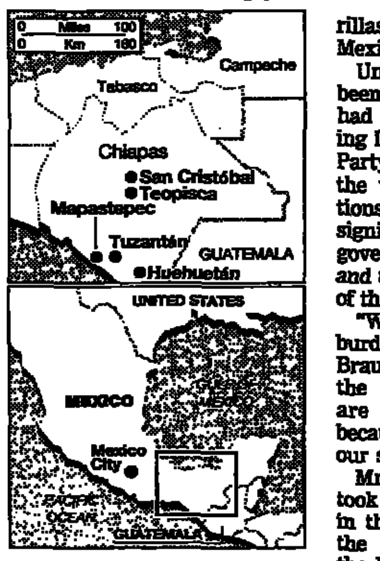
The sole dissenter was Senator Jesse Helms, the right wing Republican from North Carolina, who then lost another committee vote which would have delayed consideration by the full Senate for another two weeks.

The chamber is now expected to confirm Mr Talbott within the next 48 hours. A handful of Republicans will vote against but he avoided one potential minefield in his Tuesday testimony by recanting old writings that some construed anti-Israeli.

Mr Helms challenged Mr Talbott, a former Time magazine writer, at a confirmation hearing on Tuesday for writing in 1981 Israel had become a liability to US security interests. Mr Talbott said his views had changed but the essay was critical of Likud not Israel. Several national Jewish groups and at least two Republican senators, Connie Mack of Florida and Alfonse D'Amato of New York, have come out against the nomination.

Peasant farmers take over four Chiapas towns

By Damian Fraser in Teopisca



Mexican peasant farmers have taken over at least four towns in the southern state of Chiapas, protesting against official corruption and the poverty in which they live.

The farmers, mainly from collective farms, are not connected with the Zapatista rebels that violently seized several towns in the state on New Year's Day. But they have clearly been inspired by the Zapatistas, and sense the government's sudden vulnerability to peasant protests.

The peasants took over the towns of Huehuetán, Tuzantán, Teopisca, and Mapastepec in the past few days. In several other parts of the state unrest was building, with peasants occupying land and threatening to seize town halls.

In the town of Teopisca, about 30km from the city of San Cristóbal de las Casas, about 1,500 peasants from a collective farm peacefully took over the town hall on Monday, blocked incoming roads, and demanded the resignation of the mayor and free elections to elect a board of leaders.

The farmers complained about lack of schools, drainage, and running water. They alleged the town mayor, Mr Hector Alvarez Gordillo, had taken money from the town budget, that he failed as promised to give out food and medicine, and repair a dirt road.

Yesterday morning the peasants remained in control of the town hall, but opened the road, which is the main route to Guatemala. Farmers in Teopisca chanted "The peasants have awoken – the Zapatistas have opened our eyes" as they walked around the town's central square. While they said they opposed the Zapatistas' call to arms, they approved of their goals, and used almost identical language to the guerrillas when complaining about Mexico's political system.

Until this week Teopisca had been a model of tranquility. It had always supported the ruling Institutional Revolutionary Party, giving it 100 per cent of the vote in the mayoral elections two years ago. The last significant protest against the governing party was in 1985, and that was over the selection of the PRI candidate for mayor.

"We were fed up with the burden of injustice," said Mr Braulio Gutiérrez Lopez, one of the farmers' leaders. "Things are now going to change because we have woken up to our suffering."

Mr Alvarez Gordillo, who took refuge in his large house in the main square, dismissed the farmers as supporters of the leftist Party of Democratic Revolution. But while some of the peasants, including Mr Gutiérrez, are from the PRD, most said they had always voted for the PRI.

As farmers explained their decision to take over the town hall, it seemed as if the Zapatista movement had removed the fear that prevented such protests before. Police beat up demonstrators in 1985, but this time the hands of the government are tied. Such a crackdown would seriously put back the prospects for a peaceful settlement in Chiapas.

Setback for drug makers

By Daniel Green

A recommendation by a National Institutes of Health panel in the US could have far-reaching implications for some of the world's best-selling drugs – ulcer treatments made by the UK's Glaxo, Anglo-US company SmithKline Beecham and Astra of Sweden.

The panel said yesterday that some peptic ulcer patients should be treated with antibiotics as well as the usual drugs that block the formation of stomach acids.

The NIH was examining theories that a bacterium called H. pylori caused ulcers, suggesting that cheap antibiotics rather than expensive patented ulcer drugs could be used in treatment. At present Glaxo's ulcer drug, Zantac, is the world's top-selling pharmaceutical, with annual sales worth about $2bn.

The panel's findings appear to leave the door open for specialist ulcer drugs to be used as the first treatment if taken with an antibiotic. However, they also seem to raise the possibility that antibiotics might reduce the need for patients to take special ulcer treatments to avoid relapse. A significant proportion of ulcer drug sales are for such "maintenance regimes".

Los Angeles earthquake cost put at $13bn-$20bn

Last month's Los Angeles earthquake caused between $13bn and $20bn (£8.7bn-£13.4bn) in damage, California officials said, making it the second most expensive natural disaster in US history, Reuter reports from Sacramento.

State officials also announced on Tuesday that the cost of the earthquake to federal, state and local taxpayers will be about $11.6bn.

The damage estimate is the most detailed since the 6.8 magnitude quake rocked Los Angeles, killing 60 people, injuring 8,500 and destroying many homes and freeways.

In the days after the quake, state officials had released a rough estimate of $15bn to $30bn in damage. They said preliminary estimate was based on earthquake models and actual damage was not quite as bad as had originally expected.

However, Mr Dick Andrews, director of the California Office of Emergency Services, said the latest estimate could be revised upwards again if there was damage to sewer and water systems which had not been detected.

The federal government's share of the costs was put at $9.5bn, the state's at $1.9bn and local government at $135m. President Bill Clinton has already asked Congress for $9.5bn in federal disaster relief funds.

The total cost to taxpayers includes $1.45bn to rebuild highways, $4.2bn in clean-up costs and $1bn in disaster relief payments.

Mr Andrews estimated that private insurance would cover about $2.5bn of the overall loss.

The most costly US natural disaster was Hurricane Andrew, which caused $30bn in losses in southern Florida and Louisiana in 1992.

Venezuela restarts sell-offs

By Joseph Mann in Caracas

Venezuela's new government has decided to re-start the country's stalled privatisation programme by offering to sell a state-owned airline, Aeropostal, "at the end of March," according to the new head of privatisation.

Mr Abdon Vivas Teran, a long-time congressman, was appointed to manage the privatisation programme by President Rafael Caldera, who began a five-year term in February. The previous government planned to sell the airline several times, but lacked political support. It also wished to sell three electric power companies and other state-owned assets.

Aeropostal, which has domestic and international routes, has serious financial problems and needs a large capital infusion to survive.

Mr Vivas Teran said the Caldera government wanted to ensure that workers in nationalised companies obtained a greater number of shares than in the past. As a first step, he said potential buyers of Aeropostal would have to agree to allow workers to purchase 20 per cent of its stock and to continue granting existing benefits.

Venezuela initiated an ambitious privatisation plan in 1990, but sales of important assets did not materialise after a failed coup d'etat in early 1992 plunged the nation into turmoil. The programme gained over $2bn from the privatisation of a telecommunications company, another airline and a variety of other companies.

Finance minister gets budget reform through congress but may miss run at presidency, writes Angus Foster

Brazil's Cardoso wins the fight but not the spoils

Brazil's economic restructuring programme is back on its rather shaky course after congressional approval on Tuesday night of an emergency fund to help balance the budget. This marked a significant victory for the programme's helmsman, Mr Fernando Henrique Cardoso, the finance minister, who threatened to resign if the fund was blocked.

But Mr Cardoso's victory may mean he has to remain in government rather than resign to run for president later this year.

"As finance minister he won. But maybe from his personal perspective he lost. Implementing the rest of the plan will not be easy," said Mr Jouji Kawasaki, vice president of Banco BMC.

The emergency fund is meant to give the government control of about $15bn (£10bn) of tax increases and spending programmes which would otherwise be immediately due to the states or government agencies. With this control, and other tax increases, the government will be able to claim it has balanced a budget otherwise projected to show a deficit of $22.2bn.

Balancing the budget was the first and most important step in Mr Cardoso's package. In the past, the government financed its mounting deficit by issuing short-term securities at very high interest rates, thereby further fuelling inflation.

Mr Cardoso needed to claim a balanced budget to push ahead with the rest of his package, which includes launching a new currency untainted by past inflation. He also needed to show he was tackling the roots of inflation, now running at more than 40 per cent a month, for Brazil to gain an accord from the International Monetary Fund as part of the country's private bank debt renegotiation.

"This was a significant and sweeping victory," Mr Pedro Simon, the government leader in the Senate, told reporters.

Technically speaking, the emergency fund needs two more votes before it becomes law. Predictions are dangerous when dealing with Brazil's congress, but finance ministry officials hope the remaining votes will be largely symbolic.


Government supporters in congress celebrate the vote approving the emergency fund aimed at balancing the budget Reuter

Further, the budget is still only balanced in theory. Negotiating the fund has already forced a number of government compromises, including a last-minute climb down on military pay. Some analysts question whether the already weak coalition government of President Itamar Franco can hold off other spending demands, especially in an election year.

Nevertheless, Mr Cardoso plans to move quickly to the next stage of his programme and launch a new index, known as the URV, which will measure present rather than past inflation. In Brazil's highly indexed economy, the government hopes the private sector will use this index to calculate its price increases. Existing indices measure past inflation and therefore can themselves be inflationary.

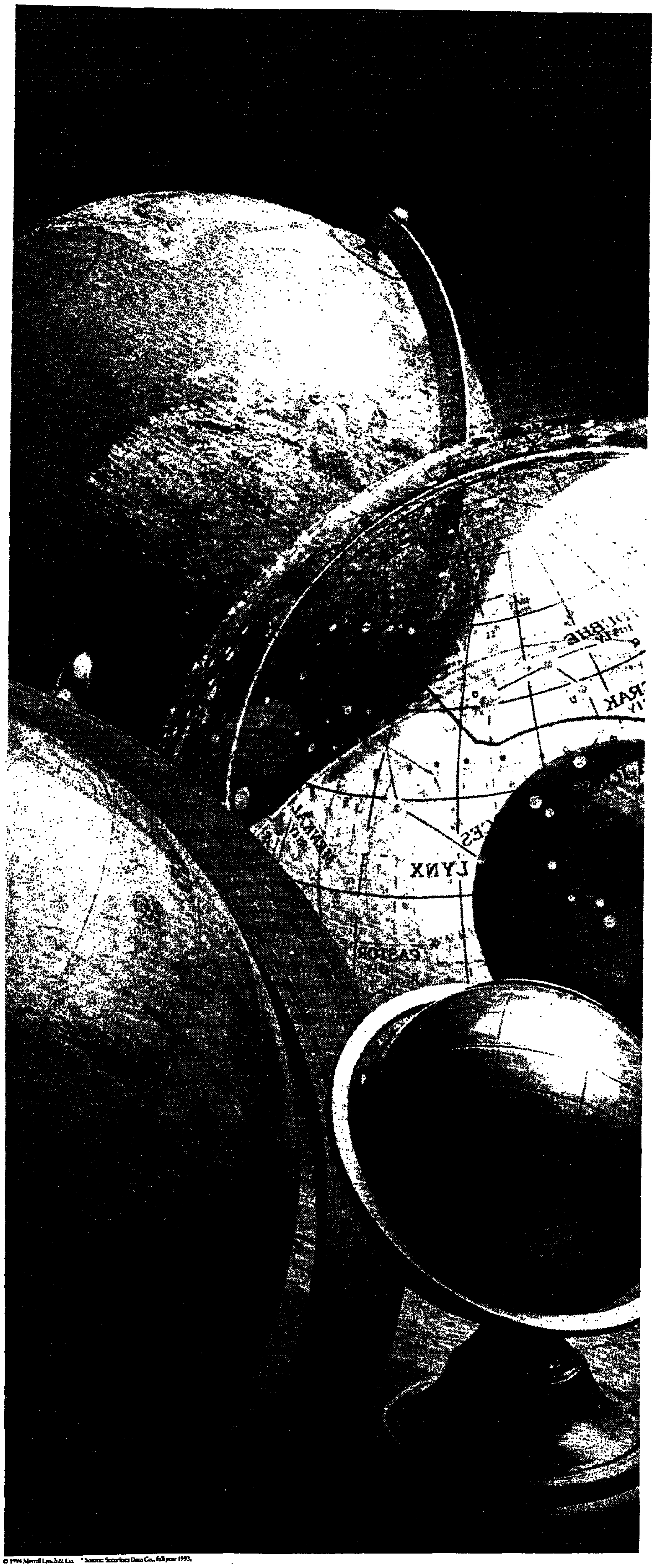
After the congressional vote Mr Cardoso said he may be ready to introduce the URV at the beginning of March. He is under mounting pressure to act from businesses who say uncertainty about the economy is leading suppliers to increase prices above inflation.

"The pressures are enormous. Our costs increased by above 40 per cent in January, and February is not any better," said a director of one of the country's main carmakers.

Even if the URV goes ahead quickly, Mr Cardoso is running out of time in relation to the presidential election. Under Brazilian law he would have to resign by April 2 to run for election in October. But his victory with the fund deprived him of an excuse to quit. Further, according to his opponents, he cannot resign before inflation starts to fall. Since he became finance minister last year inflation has increased from 23 per cent to more than 40 per cent a month, hardly a campaigning theme tune.

A constitutional revision which is under way may review the law on ministers resigning to contest elections. It is possible, but by no means certain, that the April 2 deadline will be extended and allow a late challenge. But this would also rely on an understanding, which has so far looked remote, between the main left-of-centre parties. They would need to unite behind Mr Cardoso and confront the present election front runner, Mr Luíz Inácio Lula da Silva of the left-wing Workers party.

But according to one finance ministry official, Mr Cardoso already appears to have decided to wait: "The minister is only 62 this year. He can stay and guide in a successor and would then be ready for the next presidential elections."



THE DIFFERENCE BETWEEN COMPETING IN THE GLOBAL MARKETPLACE AND LEADING IT

It is a complex and changing world. Old political barriers are breaking down and new economic alliances are being established. Today as companies search for equity capital and investors discover market opportunities, one must be aware of the implications of change, and be able to anticipate change.

Leadership in the global equity marketplace requires more than global resources, it requires global resourcefulness: intelligence, creativity, agility, and speed. Today, you need more than a global presence, you also need global experience and understanding. This means seasoned and creative people in the right places throughout the world, a solid track record, and relationships that are strategic partnerships.

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Merrill Lynch

A tradition of trust.

 * Source: Securities Data Co., full year 1993.

MAKING A DIFFERENCE IN GLO[illegible]

1993 LEAD MANAGED TRANS[illegible]

ARGENTINA

$171,183,193
Banco Francés del *Río de la Plata* S.A.
5,594,222 American Depositary Shares

$3,040,000,000
YPF Sociedad Anónima
160,000,000 American Depositary Shares

In order to privatize its oil company, YPF, the Republic of Argentina completed this $3 billion equity offering. It was the largest privatization ever in Latin America. It was awarded *IFR*'s Equity Deal of the Year, one of *Institutional Investor*'s International Deals of the Year, *Corporate Finance*'s Best Equity Offering for an Emerging Markets Corporate Issuer, and [illegible] *IDD*'s Deals of the Year. [illegible] Finance awarded YPF Deal of the Year in three categories: ADRs, Privatization, and Equity.

AUSTRALIA

$1,500,000,000
News America Holdings Incorporated*
Liquid Yield Option Notes, Rule 144A

BERMUDA

$163,530,000
Amway Asia Pacific Ltd.
Common Shares

CANADA

$52,800,000
Agnico-Eagle Mines Limited
4,800,000 Common Shares

$557,750,000
Hollinger Inc.
Liquid Yield Option Notes

$311,000,000
Rogers Communications Inc.
Liquid Yield Option Notes

$225,000,000
Rogers Communications Inc.
Convertible Debentures

COLOMBIA

$71,559,900
Banco Ganadero S.A.*
3,897,600 American Depositary Shares, Rule 144A

$42,880,000
Corporación Financiera del Valle S.A.*
3,200,000 American Depositary Shares, Rule 144A

FINLAND

$32,223,500
Rautaruukki Oy
34,822,410 Rights
Representing the Right to Subscribe to 5,803,735 K-Shares

FRANCE

$251,160,000
J & L Specialty Steel, Inc.
17,940,000 Common Shares

$102,616,000
Banque Nationale de Paris*
2,448,500 American Depositary Shares, Rule 144A

$533,438,000
Schneider S.A.*
8,420,492 Common Shares

HONG KONG

$131,250,000
CTII Overseas Finance Limited
Guaranteed Convertible Bonds

$300,000,000
New World Development (BVI) Limited
Convertible Guaranteed Bonds

$125,000,000
Pacific Concord Finance Limited
Guaranteed Convertible Bonds

INDIA

$65,000,000
Essar Gujarat Limited*
Convertible Bonds

$68,850,000
I.T.C. Limited*
4,500,000 Global Depositary Receipts

INDONESIA

$67,140,000
PT Semen Cibinong*
18,000,000 Ordinary Shares, Rule 144A

IRELAND

$54,539,000
Elan Corporation, plc
1,610,000 American Depositary Shares

ITALY

$174,864,000
Elsag Bailey Process Automation N.V.
9,203,354 Common Shares

$104,380,000
Credito Italiano*
5,666,666 American Depositary Shares

JAPAN

$242,428,000
The Talbots, Inc.
12,432,225 Common Shares

$76,250,000
Union Bank
2,500,000 Common Shares

LUXEMBOURG

$113,993,000
Arbed S.A.
Convertible Bonds

MEXICO

$[illegible]2,545,000
Grupo [illegible] S.A. de C.V.*
[illegible]00,000 American Depositary Shares
[illegible] Shares

As Mexico's largest conglomerate, this issue was completed in a challenging market environment and re-opened the market for Mexican equities after a difficult 1992. It was conferred *Corporate Finance* Magazine's Commendation for Best Equity Offering for an Emerging Markets Issuer.

NORWAY

$87,500,000
[illegible] Drilling Company
[illegible] Common Shares

PEOPLES REPUBLIC OF CHINA

[illegible]

[illegible] IPO from [illegible] listings [illegible] and Hong Kong [illegible] Exchanges. It was awarded [illegible] *Finance* Magazine's Com[illegible] for The Best Equity [illegible] Emerging Markets Corporate Issuer. [illegible] Investor included it in Deals of [illegible] Year.

PORTUGAL

$76,850,000
Espírito Santo Financial Holding S.A.
2,650,000 American Depositary Shares

THE REPUBLIC OF KOREA

$150,000,000
Samsung Electronics Co., Ltd.*
4,316,546 Global Depositary Receipts, Rule 144A

SPAIN

$52,747,200
Banco Central Hispanoamericano, S.A.*
2,000,000 Ordinary Shares

$29,600,000
Corporación Bancaria de España, S.A.
1,840,000 Common Shares

SWITZERLAND

$1,420,000,000
Roche Holdings, Inc.*
Liquid Yield Option Notes, Rule 144A

[illegible] Liquid Yield [illegible] (LYONs®), it [illegible] of U.S. investors [illegible] boost Roche's [illegible] to more than $38 billion [illegible]. It was awarded Corporate [illegible] Magazine's Corporate Financing Deal of the Year.

UNITED KINGDOM

$113,800,000
Coats Viyella Plc*
Convertible Bonds

VENEZUELA

$45,796,000
Mavesa, S.A.*
5,612,249 American Depositary Shares, Rule 144A

UNITED STATES DEALS BY INDUSTRY

AIRLINES

$166,609,000
Continental Airlines, Inc.
8,330,441 Class B Shares

$600,000,000
UAL Corporation*
6,000,000 Series A Convertible Preferred Stock, Rule 144A

BANKS—COMMERCIAL AND THRIFTS

$152,000,000
Chemical Banking Corporation
3,800,000 Common Shares

$199,083,684
The Dime Savings Bank of New York, FSB
33,180,614 Common Shares

$113,714,000
First USA, Inc.
4,173,000 Common Shares

$259,335,000
First USA, Inc.
5,186,700 Common Shares

$400,984,000
Fleet Financial Group, Inc.
12,337,980 Common Shares

$112,125,000
Midlantic Corporation
5,750,000 Common Shares

$69,000,000
People's Bank
1,380,000 Noncumulative Convertible Preferred Stock, Series A

$46,000,000
Roosevelt Financial Group, Inc.
920,000 Non-Cumulative Convertible Preferred Stock

CLOSED END FUNDS

$407,550,000
ACM Managed Dollar Income Fund, Inc.
27,170,000 Common Shares

$44,250,000
The BlackRock Broad Investment Grade 2009 Term Trust
2,950,000 Common Shares

$250,500,000
The BlackRock Investment Quality Municipal Trust Inc.
16,700,000 Common Shares

$110,880,000
Cohen & Steers Total Return Realty Fund, Inc.
7,392,000 Common Shares

$296,250,000
Corporate High Yield Fund, Inc.
19,750,000 Common Shares

$120,576,000
Corporate High Yield Fund II, Inc.
[illegible]038,370 Common Shares

$214,500,000
[illegible] Dividend and [illegible] Inc.
[illegible] Common Shares

[illegible]

$99,705,000
MuniBond Income Fund, Inc.
6,647,000 Common Shares

$88,750,000
MuniVest California Insured Fund, Inc.
5,916,666 Common Shares

$88,750,000
MuniVest Florida Fund
5,916,666 Common Shares

$298,500,000
MuniVest Fund II, Inc.
19,900,000 Common Shares

$108,160,000
MuniVest Michigan Insured Fund, Inc.
7,210,666 Common Shares

$81,000,000
MuniVest New Jersey Fund, Inc.
5,400,000 Common Shares

$105,500,000
MuniVest New York Insured Fund, Inc.
7,033,333 Common Shares

$58,700,000
MuniVest Pennsylvania Insured Fund
3,913,333 Common Shares

$27,420,000
MuniYield Arizona Fund II, Inc.
1,828,000 Common Shares

$36,735,000
MuniYield Arizona Fund, Inc.
2,449,000 Common Shares

$75,900,000
Nuveen Connecticut Premium Income Municipal Fund
5,060,000 Common Shares

$54,938,000
Nuveen Georgia Premium Income Municipal Fund
3,662,500 Common Shares

$309,524,000
Nuveen Insured Premium Income Municipal Fund 2
20,634,950 Common Shares

$86,625,000
Nuveen Maryland Premium Income Municipal Fund
5,775,000 Common Shares

$68,475,000
Nuveen Massachusetts Premium Income Municipal Fund
4,565,000 Common Shares

$31,800,000
Nuveen Missouri Premium Income Municipal Fund
2,120,000 Common Shares

$92,400,000
Nuveen North Carolina Premium Income Municipal Fund
6,160,000 Common Shares

$85,800,000
Nuveen Virginia Premium Income Municipal Fund
5,720,000 Common Shares

$34,650,000
Nuveen Washington Prem[illegible] Income Municipal Fund
2,310,000 Common Shares

$49,125,000
Putnam Investment Grade [illegible] Municipal [illegible]
3,275,000 Com[illegible]

$242,[illegible]
Putnam Municipal [illegible]
16,150,00[illegible]

[illegible]
Schroder [illegible]
19,000,[illegible]

[illegible]
Senior [illegible]
24,8[illegible]

[illegible]
Senior High In[illegible] II, Inc.
16,600,000 [illegible] Shares

$298,908,000
Templeton China World Fund, Inc.
19,927,200 Common Shares

$70,125,000
Van Kampen Merritt Select Sector Municipal Trust
4,675,000 Common Shares of Beneficial Interest

$72,450,000
Voyageur Colorado Insured Municipal Income Fund, Inc.
4,830,000 Common Shares

ELECTRONICS AND ELECTRICAL EQUIPMENT

$65,953,000
KEMET Corporation
4,255,000 Common Shares

$480,000,000
Motorola, Inc.
Liquid Yield Option Notes

ENGINEERING, CONSTRUCTION AND BUILDING MATERIALS

$43,875,000
ABT Building Products Corporation
2,925,000 Common Shares

$81,000,000
Castle & Cooke Homes, Inc.
5,400,000 Common Shares

$32,200,000
Elcor Corporation
1,150,000 Common Shares

$112,938,000
Kaufman and Broad Home Corporation
6,500,000 Depositary Shares

$57,141,000
Oakwood Homes Corporation
2,875,000 Common Shares

ENTERTAINMENT, LEISURE TIME AND LODGING

$575,000,000
Coleman Worldwide Corporation
Liquid Yield Option Notes

$225,638,000
Hospitality Franchise Systems, Inc.
7,051,200 Common Shares

$327,444,000
Hospitality Franchise Systems, Inc.
7,614,976 Common Shares

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These transactions have been listed by parent location.
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IN GLOBAL EQUITIES

ED TRANSACTIONS

FINANCIAL SERVICES AND FINANCE COMPANIES

$47,925,000
Duff & Phelps Corporation
2,700,000 Common Shares

$46,575,000
Eaton Vance Corp.
1,380,000 Non-Voting Common Shares

$39,813,000
Fidelity National Financial, Inc.
1,750,000 Common Shares

$144,109,000
Green Tree Financial Corporation
2,875,000 Common Shares

$277,222,000
Household International, Inc.
4,025,000 Common Shares

$68,000,000
Legg Mason, Inc.
Convertible Subordinated Debentures

$8,240,000
Merrill Lynch & Co., Inc.

INFORMATION PROCESSING

$315,000,000
AST Research, Inc.
Liquid Yield Option Notes

$133,694,000
Solectron Corporation
3,321,600 Common Shares

INSURANCE

$91,560,000
American Bankers Insurance Group, Inc.
3,360,000 Common Shares

$54,195,000
American Heritage Life Investment Corporation
2,852,345 Common Shares

$413,540,000
American Re Corporation
13,340,000 Common Shares

$430,100,000
Bankers Life Holding Corporation
19,550,000 Common Shares

$162,112,000
Capital Guaranty Corporation
7,719,618 Common Shares

$267,260,000
CCP Insurance, Inc.
9,545,000 Common Shares

$167,558,000
Citizens Corporation
6,981,600 Common Shares

$287,500,000
Conseco, inc.
5,750,000 Series D Cumulative Convertible Preferred Stock

$60,214,000
Delphi Financial Group, Inc.
2,737,000 Class A Common Stock

$43,750,000
Fremont General Corporation
1,250,000 Common Shares

$373,750,000
Fremont General Corporation
Liquid Yield Option Notes

$46,000,000
RLI Corp.
Convertible Debentures

$185,093,000
SunAmerica Inc.
5,002,500 Depositary Shares (PERCS)

MACHINERY, ENGINES & AUTOMOTIVE

$91,508,000
Borg-Warner Automotive, Inc.
3,660,300 Common Shares

MISCELLANEOUS

Borg-Warner Security Corporation
3,795,000 Common Shares

$41,200,000
Boston Chicken, Inc.
2,060,000 Common Shares

$21,752,000
IMCO Recycling Inc.
1,706,000 Common Shares

$190,023,000
Starter Corporation
8,838,300 Common Shares

OIL AND GAS—DISTRIBUTION

$46,350,000
The Brooklyn Union Gas Company
1,800,000 Common Shares

$76,250,000
National Fuel Gas Company
2,500,000 Common Shares

$173,000,000
Pacific Enterprises
8,000,000 Common Shares

$212,500,000
Panhandle Eastern Corporation
10,000,000 Common Shares

$111,028,000
Tejas Gas Corporation
1,982,646 Common Shares

The largest REIT IPO in history, Simon Properties used the proceeds of the sale to pay down debt of their properties. Institutional investors accounted for the majority of the placement. It was cited as one of *IDD's* Deals of the Year.

$65,000,000
Tejas Gas Corporation
1,300,000 Convertible Preferred Stock

$125,000,000
Transco Energy Company*
2,500,000 Cumulative Convertible Preferred Stock, Rule 144A

OIL AND GAS—EXPLORATION, PRODUCERS, AND SERVICES

$144,756,000
Apache Corporation
6,095,000 Common Shares

$385,250,000
Baker Hughes Incorporated
Liquid Yield Option Notes

$68,928,000
Hornbeck Offshore Services, Inc.
4,025,000 Common Shares

$575,000,000
Occidental Petroleum Corporation
11,500,000 Cumulative Convertible Preferred Stock, Rule 144A

$134,300,000
United Meridian Corporation
7,900,000 Common Shares

$98,175,000
Weatherford International Incorporated
9,350,000 Common Shares

PHARMACEUTICALS AND MEDICAL SUPPLIES

$148,773,000
Kendall International, Inc.
3,362,097 Common Shares

$24,956,000
Synetic, Inc.
1,468,000 Common Shares

REITS

$172,040,000
7,820,000 Common Shares

$114,000,000

$292,215,000
Chelsea GCA Realty, Inc.
10,626,000 Common Shares

$72,191,000
9,315,000 Common Shares

$28,463,000
CRI Liquidating REIT, Inc.

$312,728,000
Duke Realty Investments, Inc.
13,167,000 Common Shares

$343,850,000

$69,478,000
New Plan Realty Trust
2,765,292 Shares of Beneficial Interest

$269,790,000
Post Properties, Inc.
10,580,000 Common Shares

$149,500,000
The Price REIT, Inc.
4,600,000 Series B Common Shares

$965,928,000
Simon Property Group, Inc.
43,412,500 Common Shares

$106,088,000
Tanger Factory Outlet Centers, Inc.
4,715,000 Common Shares

$75,000,000
Tanger Factory Outlet Centers, Inc.
3,000,000 Convertible Redeemable Preferred Shares

$125,130,000
TriNet Corporate Realty Trust, Inc.
5,160,000 Common Shares

$82,283,000
United Dominion Realty Trust
6,095,000 Common Shares

$278,945,000
Urban Shopping Centers, Inc.
11,870,000 Common Shares

$185,015,000
Vornado Realty Trust
5,211,700 Common Shares of Beneficial Interest

$119,062,000
Weingarten Realty Investors
2,834,800 Shares of Beneficial Interest

$64,350,000
Wellsford Residential Property Trust
2,594,000 Common Shares of Beneficial Interest

$100,000,000
Wellsford Residential Property Trust
4,000,000 Series A Cumulative Convertible Preferred Shares of Beneficial Interest

RETAIL—SPECIALTY AND MASS MERCHANDISE

$448,500,000
Blockbuster Entertainment Corporation
14,950,000 Common Shares

$60,060,000
Discovery Zone, Inc.
2,730,000 Common Shares

$293,250,000
Discovery Zone, Inc.
Liquid Yield Option Notes

$72,450,000
Eckerd Corporation
5,175,000 Common Shares

$84,093,000
Franklin Quest Co.
3,397,700 Common Shares

$287,500,000
Lowe's Companies, Inc.
Convertible Subordinated Notes

$161,000,000
Nine West Group Inc.
9,200,000 Common Shares

$172,500,000
Nine West Group Inc.
6,900,000 Common Shares

$345,000,000
Office Depot, Inc.
Liquid Yield Option Notes

TELECOMMUNICATIONS

$241,500,000
Cabletron Systems, Inc.
2,300,000 Common Shares

$103,788,000
CenCall Communications Corp.
5,462,500 Common Shares

$472,903,000
IDB Communications Group, Inc.
10,508,948 Common Shares

$147,354,000
NEXTEL Communications, Inc.
4,792,000 Class A Common Shares

UTILITIES AND POWER

$13,322,000
Black Hills Corporation
525,000 Common Shares

$77,138,000
Delmarva Power & Light Company
3,300,000 Common Shares

$132,500,000
General Public Utilities Corporation
4,000,000 Common Shares

$99,000,000
KENETECH Corporation
6,000,000 Common Shares

$99,992,000
Niagara Mohawk Power Corporation
4,494,000 Common Shares

$113,425,000
Northern States Power Company
2,600,000 Common Shares

$119,250,000
PacifiCorp
6,000,000 Common Shares

$146,300,000
Public Service Enterprise Group Incorporated
4,400,000 Common Shares

$96,169,000
Puget Sound Power & Light Company
3,450,000 Common Shares

$58,575,000
WPL Holdings, Inc.
1,650,000 Common Shares

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Merrill Lynch
A tradition of trust.

NEWS: UK

CBI says tax rises will not harm recovery

By Graham Bowley

Tax increases in April will not harm the recovery, Mr Howard Davies, director-general of the Confederation of British Industry, claimed yesterday, as figures showed the economy strengthening throughout the regions.

In a speech to business leaders and academics at London's City University last night, Mr Davies said: "Those who argue that tax increases will stop the recovery are making a political, not an economic point."

"Our expectation is that, even taking little credit for any upturn in Europe, that we shall see a growth rate of around 2.5 per cent in 1994 as a whole," he said.

The speech coincided with the release of the CBI's latest survey of regional industrial trends showing that UK manufacturing orders rose in every region except Northern Ireland in the four months to January.

However, Mr Davies warned that investment intentions were still "worryingly weak" because companies were looking for too high a rate of return.

He added: "Quite typically, corporations look for returns of 17 or 20 per cent before they will grant new investment plans board approval. In a world of very low inflation . . these hurdle rates are high and imposing them may choke off many good project opportunities."

He said that while the tax increases were bound to have an effect on the economy, past rises suggested that a slow-down in consumer spending was not inevitable. Consumers may simply reduce their level of savings to offset the tax impact.

"The government will be advised to reduce interest rates a little further as the year proceeds, particularly if the exchange rate strengthens and/or there is seen to be some adverse effect on confidence from the tax increases," he said. According to the regional survey, produced in conjunction with Business Strategies, an economic consultancy, the largest increases in manufacturing orders were in Yorkshire and Humberside, the south-east, Scotland and Wales.

Output has also risen in most regions against a background of weak cost and price pressures.

The survey shows business optimism increasing, with companies expecting overall demand and output to rise further in all mainland regions over the next four months.

Export optimism about the year ahead has also strengthened, suggesting that the recovery is not wholly dependent on domestic demand.

Manufacturing employment is still falling but the rate of job losses has eased.

The regional survey shows that companies in most regions, especially the West Midlands and south-west, expect to increase their investment in plant and machinery over the next 12 months, mainly to raise efficiency rather than expand capacity.

But the survey points out that companies cite inadequate net returns, rather than demand uncertainty, as the main reason for limiting capital spending.

Amnesty report on Ulster rejected

A senior Ulster police chief last night rejected as "utter nonsense" claims by Amnesty International that the security forces had colluded with loyalist paramilitaries in Northern Ireland.

The human rights organisation had earlier urged the British government to set up an independent inquiry after publishing a major report on the Ulster conflict.

Amnesty claimed there was "mounting evidence of collusion between Government forces and groups like the Ulster Defence Association that oppose any change in Northern Ireland's status quo".

The report said despite British government denials Amnesty remained unconvinced that a "shoot to kill" policy had not been operated, since there had not been public clarification of the circumstances of many incidents.

But RUC deputy chief constable Blair Wallace last night insisted that courageous and impartial officers risked their lives day and night to protect all sides.

Mr Wallace emphatically denied claims of collusion and a one-sided policy in the fight against terrorism.

He said 230 loyalists were charged with terrorist-type offences last year, compared with 137 republicans.

Mr Wallace said when the former Deputy Chief Constable of Cambridgeshire, John Stevens, investigated collusion claims a substantial number of people were convicted and sentenced.

However, no police officer had been prosecuted and the Stevens Inquiry had concluded that collusion was neither widespread nor institutionalised.

Major dismisses talk of Tory leadership crisis

By Philip Stephens and Paul Cheeseright

Mr John Major yesterday dismissed as "empty chatterings" the speculation at Westminster that defeat in this summer's local and European elections would threaten a new leadership crisis in the Conservative Party.

With Tory MPs still stunned by the bizarre death earlier this week of their former colleague Mr Stephen Milligan, the prime minister acknowledged his frustration at the constant talk of a leadership crisis.

But during a visit to Leicester which marked the start of a intense programme of regional tours ahead of the elections, he insisted that the government's attention was focused on a "startling" improvement in economic prospects.

Mr Major, increasingly disillusioned with his treatment by the media at Westminster, intends to use the tours to take his message directly to the electorate. During the Leicester visit he held the first of a series of meetings with regional newspaper editors.

He has ignored the advice of some colleagues that by taking such a high personal profile in the campaigns he risks being blamed directly for a poor Conservative performance in the elections for local councils and the European Parliament. In relaxed mood he told journalists: "Politics is about risk".

The prime minister has told friends in recent weeks that he is the only leader capable of holding together the Tory party after its schisms over Europe and economic policy.

Questioned yesterday about his own political authority he replied: "We had all this last year - there was going to be a great leadership crisis in November but it turned out to be empty chatterings - you will find the same thing this year."

He described the death of Mr Milligan, which is still being investigated by the police, as a deep personal tragedy. In an oblique reference to the bizarre sexual circumstances in which the MP died, Mr Major added: "He must have been pretty unhappy, pretty miserable".

His comments followed a warning from Mr Kenneth Clarke, the chancellor, that any challenge to Mr Major would confront the Conservatives with almost certain defeat at the next election.

The chancellor, a potential successor to Mr Major, said the damage inflicted by a new crisis over the leadership would turn it into an argument over "who leads the government to defeat."

Further circumstantial evidence that the UK government may have breached its own guidelines on aid provision was disclosed last night when a minister said that Malaysia had been promised aid shortly after an earlier arms for aid offer had been rescinded, James Blitz writes.

Two weeks ago, the Foreign Office revealed that Lord Younger, the then defence secretary, had written to the Malaysian government in June 1988, pointing out that the sale of £1bn of British arms could not be formally linked to the provision of £234m of UK aid to help build a dam on the Pergau river, because such a link would have breached guidelines. The Foreign Office said Lord Younger sent the letter because he had signed a protocol in March which wrongly linked the arms sales to the provision of aid.

However, Mr Mark Lennox-Boyd, a Foreign Office minister, yesterday confirmed there was "further correspondence reiterating promises of civil aid" between the two governments following Lord Younger's letter.

Prime minister John Major beside a Triumph motorcycle at the factory in Hinkley near Leicester yesterday Picture: Reuter

MPs attack £48m computer expenditure

By Lisa Wood, Labour Staff

Much of the £48m spent on a government computer network was a waste of money, the Commons public accounts committee said yesterday.

Its report on the Department of Employment's attempts to introduce a new computer network called the Field System comes after similar criticism from the National Audit Office, the watchdog on government spending.

The department said yesterday that it did not accept that the project was a failure or represented poor value for money. It decided in 1988 to introduce the system for regional offices responsible for training and enterprise programmes.

Later that year the government announced plans to set up employer-led training and enterprise councils in England and Wales to replace the area offices from 1990. But the department decided to continue implementing the Field System to assist Tecs.

"They experienced problems in developing and implementing it," the public accounts committee said.

"By spring 1993, when they ceased supporting the system and Tecs became responsible for determining their own information technology requirements, the department had spent £48m on it."

The MPs said that although in August 1992 most Tecs were using the system only partially or not at all, the department hoped the Tecs would "decide to develop the system rather than move away from it".

The department told the MPs that Tecs, had they been fully operational, would not have asked for such a system. The committee reports that by pressing ahead the department "ignored a major lesson" from previous computer projects about the need to involve potential users fully.

The committee said: "In our view, with so few clear benefits, this expenditure does not represent value for money for the taxpayer."

Civil service chief criticises coverage of Iraq probe

By Jimmy Burns

Sir Robin Butler, the head of the Home Civil Service, yesterday urged Lord Justice Scott to issue a statement about the media coverage that had "permitted wild allegations and prejudging of issues" in the exports-to-Iraq inquiry.

Sir Robin, who is also cabinet secretary, urged the judge to "put the record straight" about the conduct of ministers and officials in the arms-for-Iraq affair.

In a prepared statement, he urged the inquiry to "undo, so far as in its power, the damage which has been unfairly done to our system of government, to the reputation of the civil service and to individuals".

The statement was issued by Sir Robin with the agreement of Sir David Gillmore, head of the Diplomatic Service, and following consultation with Mr John Major, the prime minister.

While Sir Robin said that he made no criticism about the inquiry's procedures, his attack does challenge the judge's insistence that the hearings should be in public and openly reported.

Sir Robin described as "victims" middle-ranking officials who "could not have been expected to be thrust into the limelight in the way in which they have".

Lord Justice Scott yesterday said that Sir Robin's statement "would be listened to by those to whom it was addressed".

One of Sir Robin's concerns has been the reporting of "arms sales to Iraq". He said there have been no licences issued "for the export of arms, that is lethal goods". This, though is a question the judge has pressed former witnesses about. Sir Robin repeatedly clashed with the judge and his counsel Ms Presiley Baxendale QC over the nature of ministerial responsibility, the duty of civil servants, and his own role in the Iraqi affair.

Sir Robin told the inquiry that ministers should only resign if they were "personally culpable", and justified "half answers" to parliament.

He said one of of the strengths of Britain's system of government was "that invariably you can find out what happened." The judge interrupted: "I think I would qualify invariably."

Justice Scott questioned Sir Robin about how former civil servants had been stopped by the government from giving evidence to a parliamentary inquiry into the Iraqi supergun. He urged him to "think critically about the established practices and convention" of Whitehall.

Earlier Sir Robin confirmed he had ordered a review of the way intelligence was handled within Whitehall.

Britain in brief

Shipyard's future still in balance

The board of German shipbuilder Bremer Vulkan, which had expressed interest in the troubled Swan Hunter shipyard, has decided not to bid, it has emerged. The decision came after the company failed to find a partner for the venture.

GEC, which is also believed to be a potential bidder for Swans – in receivership since May – declined yesterday to reveal its intentions. The prospects of Swan Hunter being sold as a shipbuilder now depend increasingly on whether the UK government is willing to assist a sale.

The only company to confirm that it wishes to place a bid, French shipbuilder Constructions Mécaniques de Normandie, has suggested that the government-funded Tyne and Wear Development Corporation buy Swan Hunter's main Tyneside sites and then lease the facilities to CMN.

Such a deal would anger rival UK warship yards, which have already attacked the recent EU decision, supported by the UK government, to grant Swan Hunter limited eligibility to Intervention Funding subsidy.

Girobank staff set to strike

Girobank clerical staff plan to strike next Wednesday for twenty four hours in the first of a series of one-day stoppages in protest at the bank's basic offer of a 1.5 per cent consolidated pay increase.

An overtime ban by members of the NCU National communications union's 3,250 clerical staff at Girobank offices across the country started last week. The NCU said yesterday that the bank had been notified that further one-day strikes would be held on March 7 and 22.

Girobank, which has been a subsidiary of Alliance and Leicester Building Society since it left the public sector in 1990, said it regretted the strike decision but intended to minimise disruption to customers.

Report shows lost work days

Accidents and illness at work are costing employers between £4bn and £9bn a year, the equivalent of as much as 10 per cent of all UK industrial companies' trading profits, the Health and Safety Executive said yesterday.

In a report based on the most comprehensive research the executive has undertaken into the field, it calculates that accidents and illness at work are costing the economy overall between £11bn and £16bn a year, between 2 per cent two and 3 three per cent of gross domestic product or a year's economic growth.

The cost to employers, it says, is 30m lost working days, the equivalent of £360 for every working man and woman.

Jobs to go at gas meter plant

Up to 500 jobs are to be axed at the the Schlumberger Industries gas meter factory in Stretford, Manchester, within the next year. The plant employs more than 600 people.

The company blamed the job losses on a fall in orders from British Gas, the company's main customer. "Revised purchasing requirements during 1994 have recently been confirmed by British Gas," it said.

"As British Gas is our main customer, this will unfortunately have a significant affect on the number of people we are able to employ."

Games surplus for Manchester

Manchester expects to show a small surplus on the £5m-plus spent on its failed bid for the 2000 Olympic Games, with insignificant costs to the city council. The money was raised from the private sector and government agencies.

Mr Graham Stringer, leader of the Labour-controlled council, said yesterday benefits of the bid included £100m of public investment and a similar sum from the private sector. Mr Stringer said about 5,000 "person-years" of employment had been created so far, with a similar amount still to come. The city owned £30m of land and planned to build the new Millennium Stadium creating another 3,000 jobs.

The stadium forms the centrepiece of Manchester's bid for the 2002 Commonwealth Games.

Rise in demand for new vans

New commercial vehicle registrations in the UK increased year-on-year by 1.3 per cent in January, as demand for vans continued to lag behind the strong recovery in the new car market.

Commercial vehicle registrations in January rose to 17,642 from 17,418 in the same month a year ago according to figures from the Society of Motor Manufacturers and Traders.

Demand for light vans (up to 1.8 tonnes) fell again in January by 12 per cent year-on-year to 6,111 continuing to mask the recovery in other sectors of the commercial vehicle market.

Sales of medium and heavy vans (1.8-3.5 tonnes) rose by 12 per cent last month to 7,301, while registrations of trucks (above 3.5 tonnes gross vehicle weight) rose by 10 per cent year-on-year to 2,568.

Deer hunting ban overturned

A ban on deer hunting on Somerset County Council land was yesterday declared unlawful and quashed by a High Court judge.

Mr Justice Laws ruled that councillors exceeded their powers when they voted last August to ban hunting at Over Stowey Customs Common because they found the sport "morally repugnant".

The judge said the law "confers no entitlement on a local authority to impose its opinions about the morals of hunting on the neighbourhood".

He gave the council leave to appeal to the Court of Appeal after being told that 35 councils had imposed similar bans.

Gould to leave British politics

By James Blitz

Mr Bryan Gould, one of the opposition Labour party's leading personalities of the last decade, yesterday announced that he was quitting politics to return to his native New Zealand to take up the post of vice-chancellor at the University at Waikato.

Conservative and Liberal MPs claimed that Mr Gould's decision was a blow to Labour's fortunes and a sign that the party did not have credible policies.

There were mixed reactions in the Labour party. Mr John Prescott, shadow employment secretary, said Mr Gould's decision reflected "bad political judgment and a certain tinge of bitterness" at having been defeated by Mr John Smith in the party's leadership battle two years ago.

But Mr Austin Mitchell, the Labour MP for Great Grimsby, said that Mr Gould's decision was "a disaster for the Labour party." He said: "His talents have been ignored and sidelined. We need every bit of talent like Bryan's we can get."

Mr Gould described his decision to return to New Zealand, where he retains close family links, as a new challenge. He said that he would resign his seat in Dagenham from September 1. He had a majority of 6,773 at the last election.

Mr Gould, who was Labour's campaign co-ordinator at the 1987 general election, did not lose the opportunity to attack Mr John Smith's leadership of the Labour party, especially its "espousal of monetarist policies" and its emphasis on "prudence rather than radical reform."

"While I very much welcome the prospect of a Labour government," he said, "it is – I fear – unlikely to be a government which I could serve in or support with a great deal of enthusiasm.

"The two major parties have now moved so much back into the centre that there is very little ideological difference between them."

After his defeat in the 1992 leadership election, Mr Gould quit the shadow cabinet, attacking the party's pro-European policy and urging it to adopt policies geared to job creation. But Mr Gould has been an increasingly marginal figure in Labour politics in the last 18 months. Sir Norman Fowler, the conservative party chairman, claimed Mr Gould's decision to quit Westminster was "an admission that Labour cannot win and does not deserve to win."

Labour's former shadow environment secretary Bryan Gould with his wife Gill yesterday announcing his decision to leave politics and return to his native New Zealand Picture: Trevor Humphries

Labour seeks the right approach

Philip Stephens on some of the problems facing the opposition

Maybe he is right after all. If we just sit and do nothing it will drop into our hands.

You will gather from that comment from a senior Labour politician that Mr John Smith's leadership does not inspire all his colleagues at Westminster.

The frustration is felt not only by those on the left such as Mr Bryan Gould who has been pressing the party to stop shadowing the Conservatives and offer instead an ambitious strategy for economic revival and full employment.

Mr Gould's departure in September will not be mourned by those who believe that winning the next election depends on stifling internal dissent.

He is a rebel. His antipathy to Europe is difficult to grasp. But Mr Gould is a thinker in a party with many more placemen and women than intellectuals on its front benches.

The modernisers too are frustrated. Though scornful of Mr Gould's economic expansionism they share the analysis that now it has dumped much of its ideological baggage, Labour must turn its mind to filling the vacuum.

They, like Mr Gould, are not making much headway. The safety-first approach is going down well with the voters. Bank managers are back in fashion.

The lesson of the last parliament was that we should pay little heed to the headline voting intention figures provided by the opinion pollsters.

Too many of those ready to say they intended to vote Labour changed their mind when they checked their wallets in the privacy of the polling booth.

The important – and overlooked – indicators were to be found in the fine print of the polls. The voters did not trust Labour on the economy. In the south and south-east, they worried that tax increases would hit the aspiring working classes.

They felt uncomfortable with the idea of Mr Neil Kinnock in 10 Downing Street. The unions would wield too much clout. As one Conservative strategist puts it: "We were able to persuade them that things were never so bad that they couldn't be worse".

But as Mr John Major's government lurches from crisis to crisis those concerns have begun to disappear. Labour is rebuilding the image of respectability that it has craved since Mr Kinnock pulled it back from the abyss in 1983.

Gallup's latest poll in the Daily Telegraph told the story. The interesting point was not that Labour had retained its 20-point lead. It was that the voters no longer feared the prospect of a Labour government.

Four-fifths thought the opposition had become more moderate. Nearly half thought it would do a better job of running the economy. Two-thirds thought Mr Smith looked like a prime minister. Three-quarters said they would welcome – or would have nothing to fear from – a Labour government.

The conclusions drawn by most in the shadow cabinet are obvious enough.

With or without Mr Major, the Conservatives are bent on self-destruction. Tax increases have deprived them of their strongest electoral card. Their reputation for financial and moral probity is tarnished. The party is locked in mortal combat over its ideological direction.

After 15 years in office, the argument runs, the corrosion is too deep to expect the political recovery which traditionally follows an economic upturn.

Amid the present disarray it all sounds plausible enough. Even some of of the modernisers believe it might be true. But the operative word is might. For Labour to look forward with any certainty to government it has to stand for something – as it did in 1964 and in 1945.

It is often said in defence of inaction that the then Mrs Margaret Thatcher offered only the thinnest outline of her programme when she published the Right Approach before the 1979 election.

The parallel is misleading. For all the absence of detail Mrs Thatcher left no one in any doubt about where she was heading.

Mr Tony Blair and Mr Gordon Brown have grasped the point. Mr Blair wants to reposition Labour as the friend of individual opportunity as well as of community. It should seek to enable not direct. Government should be cast in the role of partner not master, Labour should be on the side of the achievers as well as of the disadvantaged.

But the shadow cabinet's beautiful people as they are dubbed by scornful colleagues are in a small minority. The mood of the moment in the Labour party favours sitting and waiting. Maybe that will be enough.

It will though beg the obvious question: what on earth would Labour actually do in government beyond providing a breathing space for the Conservatives to prepare for their return?

TECHNOLOGY

Healed to the bone

Methods of performing complex bone surgery are being revolutionised by stereolithography, a laser technique developed for industry. By combining this with medical tomography scans or magnetic resonance imaging, precise three-dimensional models of a patient's bone structure can be created, enabling surgeons to tackle operations that might otherwise be too dangerous.

The technology is used in Europe to assist about 40 surgical operations a year, says Norbert Mucheyer, president of Mucheyer Engineering in Germany. It has been applied particularly to skull-related surgery.

In one case, says Mucheyer, surgeons were reluctant to operate, fearing damage to an eye nerve and loss of vision, until the stereolithography model enabled them to locate the path of the nerve and perform risk-free surgery.

Stereolithography involves selective hardening of a liquid polymer resin by the action of a computer-controlled laser beam. Linked to a computer-aided design station, the technique converts 3-D designs into a solid model. Before reconstructing damaged bone structure, a surgeon needs to visualise the location and condition of all the bone segments. He must also plan *how to rebuild the structure*, which may involve transferring segments of bone and developing prostheses, plates and implants.

The usual method of visualising such a surgical problem is to view and analyse a scan of the patient on screen. With a solid model, the surgeon can practise cutting up the bone, check the amounts to be moved and prepare appropriate prostheses.

Scans generated by tomography can be used as the data for the laser stereolithography but this is time-consuming and costly. Companies like Siemens in Germany, Zeneca in the UK and Belgian-based Materialise are working with the Catholic University in Leuven, Belgium, on a project to create a system for producing medical models.

Anna Kochan

Make your own diagnosis

As more over-the-counter medical tests appear on the market, **Victoria Griffith** looks at their accuracy

Over-the-counter medical tests – including everything from a home cholesterol test to a self-diagnosis kit for kidney disease – are increasingly making their way into American homes.

With pressure growing to slice US health costs and push for early disease detection, most officials believe home testing will expand over the next few years. Yet controversy is growing over how far the trend should be taken.

Concern remains over the accuracy of some of the tests. And the possibility of home tests for life-threatening diseases like colon cancer, prostate cancer and Aids is worrisome to many.

"From a technological point of view, a home Aids test could be put out today," says Truman Sussman, president of Biotel, a US company which makes a range of home tests, including ones for diabetes and kidney disorders.

"So could many cancer tests. The problem is, you have to ask what the person will do with that information. The news of illness can be devastating. For serious diseases, a medical person may also be able to act as a counsellor when they give the bad news."

Even in the case of non-life-threatening diseases, there is a danger of wrong diagnosis. "There are limits to how far we can realistically take this," says Carolyn Jones, director of in vitro diagnosis for the Health Industry Manufacturers' Association in Washington, DC.

Home testing does offer a number of benefits, though. One reason for their increasing popularity is that they can help consumers save money. A routine visit to a physician in the US can cost \$200 (£133), including simple laboratory tests.

A home diagnosis kit is considerably cheaper, even in cases which necessitate a medical prescription. The urinary tract infection kit by Biotel, for instance, costs just \$11 for a package of 12 tests. Chronic sufferers often have running prescriptions from their doctors, so even if the test is positive they can avoid a visit to the physician.

Home testing can also ease costs for the entire medical system, by boosting early diagnosis. Cholesterol, kidney disease and internal bleeding tests, for instance, can encourage patients to seek treatment early on.

Enthusiasm for home testing centres on success stories like diabetes monitoring. A study published in the New England Journal of Medicine two months ago revealed significant benefits to sufferers who constantly monitored their blood sugar levels at home. Patients used the information on blood levels to adjust their insulin doses.

Later this year, the Indianapolis-based diagnostics division of Germany's Boehringer Mannheim will launch a new home kit for heart disease patients. The monitor will test the blood of patients on anti-clotting medication. Like diabetics, heart disease sufferers could then adjust their medication levels accordingly.

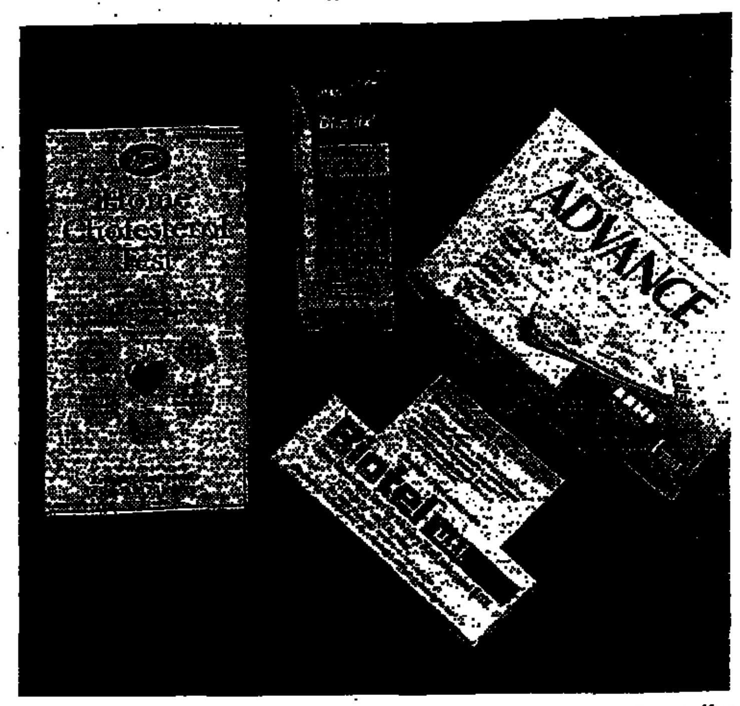
One of the biggest challenges in home testing is to make sure that lay people can easily obtain accurate results. "We put a lot of emphasis on creating labelling that will be easy for everyone to understand," says Rosanne Savol, manager of regulatory affairs for Miles, a US company which puts out a number of home tests, mostly for diabetics.

"We use very large print, so that people with eye troubles will still be able to read instructions. We also aim at a fifth-grade [10-year-old] reading level to make sure people with lower educational levels will still be able to use the product."

Technological improvements have given impetus to the trend. "Things are easier now because we know exactly what substance we're looking for, and we've come up with a specific chemical which will react with that substance," says Jack Bush, director of new business development at Boehringer Mannheim.

"We will be launching an improved blood sugar test which screens out interference factors better," says Ann Setzer, director of products marketing for Boehringer. "To do that, we performed the tests under a number of different conditions, high altitudes, below sea level, in frigid and humid conditions. Now, the product will give an accurate reading almost regardless of where you use it."

Most industry executives believe home testing will gain momentum over the next decade. "There are some megatrends that will push this forward," says Sussman. "For one thing, the population is ageing all over the world and the elderly need better control over their health. The second trend is a push towards cost containment in the medical sector."



Lydia van der Meer

Spiralling health care costs in the US have made home tests increasingly popular

However, growth may not be consistent, or across the board. The Food & Drug Administration recently refused to approve a home test for strep throat, for instance, because of doubts about accuracy. The use of home tests for chronic, but controllable, diseases will probably see the most rapid growth.

"Allergies, asthma, epilepsy and heart attacks are prime candidates for home tests," says Rolf Classon, senior vice president at Miles. "Wellness monitoring, like cholesterol tests, will also be a big area."

However, even as technology improves, home tests for diseases such as cancer and Aids will continue to be controversial, and concern over the accuracy and ease of home tests will probably linger for some time to come.

"New technology makes the options in this field more promising," says Steven Gutman, head of clinical laboratory devices for the Food & Drug Administration. "However, we have robust concerns. I think what we'll see is cautious growth."

Hotline to a happy ending

James Buxton on how a tapeless answering machine saved a company

British Telecom began selling its first solid state telephone answering machine last December. *Messages are recorded* on microchip rather than on tape, making it quicker to retrieve them and play them back, with clearer, digital sound.

The Response 120, as BT calls it, is not the world's first tapeless answering machine. But it is the first answering machine designed and built in Britain, and it comes from a tiny company which employs only 10 people.

Furthermore, the machine has a remarkably elegant interior. Whereas the first tapeless machines contained up to four printed circuit boards studded with components, the Response 120 has just one board, measuring 12 cm by 14 cm. It is combined with a telephone in a casing similar to one of BT's standard domestic telephones, the Relate.

BT, which controls about half the UK answering machine market through its sales and rentals, believes the Response 120 will be a success and expects to sell 120,000 of them a year at £69 each.

The story of the Response 120 is a positive one. It was designed by Cairntech, based at Inverkeithing, Fife, and manufactured under contract in nearby Glenrothes by Hughes Microelectronics of the US. In March 1992, Timothy Laing, a former army officer who owns 95 per cent of Cairntech, warned his staff that the business would have to close by June if it did not win another good contract. Over the years it had lost £2m making specialised telecommunications equipment.

But he also asked his four-strong technical team why no one had solid state answering machines. Within two weeks the company drew up a specification. Because it had already dealt with BT it was able, unlike some small manufacturers, to take it direct to the telecommunications company.

"For a minute the man at BT didn't speak," says Laing. "Then he said our specification was almost exactly the same as one they were about to put out to tender. We were told to keep in touch." In mid-June 1992, BT issued the tender and Cairntech had two weeks to meet BT's design specification and cost the manufacture of 100,000 machines a year. Laing obtained a competitive quote for making the product from GEC Marconi in nearby Dalgety Bay.

BT evidently liked what Cairntech was offering: its machine would have a pre-recorded outgoing message ("a lot of answering machine owners forget to record one and then can't understand why no one leaves any messages," says Laing) and a default setting on the volume control that guaranteed messages would be audible ("many people set the volume too low"). BT was struck by the quality of Cairntech's digital sound, Laing says.

By October, BT had visited Cairntech and was close to signing a contract. Then GEC pulled out of manufacturing the machine. A furious Laing got through to Lord Weinstock, GEC's managing director, who told him it was not possible to manufacture telephones competitively in the UK.

As a small company with a *poor* financial record, Cairntech had difficulty in being listened to by several of the big electronics manufacturers based in Scotland. Eventually Laing chose Hughes.

BT signed a contract with Cairntech in November 1992 and the product went on sale 13 months afterwards, one month late. Hughes assembles the printed circuit boards, installing components imported from east Asia and loading Cairntech's software, putting the finished boards into plastic mouldings made in Kent.

Laing believes BT preferred Cairntech to rival east Asian suppliers because it offered more features and superior voice quality.

However, the extra features, plus the fact that the product was originally costed when sterling was at \$1.90, will mean that The Phone Box, the subsidiary Cairntech set up to handle the new product, will make only a very small profit on the Response 120.

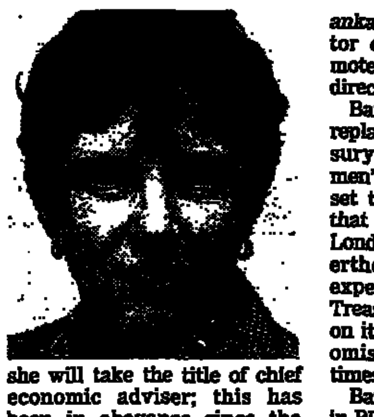
The initial order for the machine *is worth £10m. Demand is forecast* at 120,000 units a year over the 2½-year life of the product. For the company, monthly turnover should rise sharply from around £20,000 to £700,000.

Might other UK companies have had the same success? Cairntech had the advantage of employing a specialist in telecommunications electronics, a relatively rare breed in the industry, according to Laing. It benefited from the flexibility and commitment of a small company, and was fortunate in having contacts with BT. It also had good luck.

PEOPLE

Kate Barker follows up a hint

Kate Barker, the new chief economic adviser to the Confederation of British Industry, says the first time she thought of applying for the job was when she was tipped for the spot in the Observer column of the FT.



Barker, who is the first woman to be appointed to the post, is currently head of economics at Ford of Europe, the company which produced a former CBI director-general in Sir Terence Beckett. She says that, although she will miss the motor industry, she is looking forward to "getting involved in the policy area".

Although Barker is replacing Andrew Sentance, who was director of economic affairs, she will take the title of chief economic adviser; this has been in abeyance since the departure of Douglas McWilliams. A further change in nomenclature sees Sudhir Junankar, *previously deputy director* of economic affairs, promoted to the post of associate director, economic analysis.

Barker should not expect to replace Sentance in the Treasury's panel of seven "wise men", however, which seems set to continue with six, now that Sentance has joined the London Business School. Nevertheless, Barker has some experience of advising the Treasury; she has been sitting on its panel of industrial economists, which meets three times a year.

Barker, who obtained a first in PPE at Oxford and describes herself as "very broadly a neo-Keynesian", takes up her appointment in March.

Another train ride for Prideaux

John Prideaux, the manager credited with turning British Rail's InterCity division into the only profitable long-distance railway in the world, is to join the Docklands Light Railway, a much smaller and currently loss-making operation.

Prideaux, 49, is joining DLR, which operates a nine-mile network serving east London and the Canary Wharf office development, as a non-executive director. But he says he expects to devote more time to DLR than is formally laid down in his contract.

One project to which he will be devoting his time is the planned £100m extension of the railway south of the Thames into Lewisham. The DLR is to look for a private consortium to build the 4.5 mile line which on completion would double the DLR's revenues. At present it collects just £4m in fares against running costs of £20m.

Prideaux says his experience of helping BR negotiate the creation of a joint-venture partnership with BAA to build *the £300m Heathrow Express* line between Heathrow and Paddington in west London should be valuable in negotiations with potential bidders for this project.

After stepping down as managing director of InterCity, Prideaux became executive chairman at Union Railways, the BR subsidiary set up to manage the development of the fast rail link between London and the Channel Tunnel. But he fell out with BR chairman, Sir Bob Reid, over the proposed privatisation of the company and over the choice of a London terminus for the link. Prideaux favoured St Pancras while Sir Bob wanted Kings Cross.

The boardroom row came to a head last August but Prideaux only reached a severance agreement with BR in *December. The DLR* directorship is the first job he has taken on since leaving Union Railways, since when, he says, he has been brushing up his language skills.

Also joining DLR as a non-executive director is Nicolas Lethbridge, managing director in London of Babcock & Brown, an international leasing company. Lethbridge, formerly project finance director with Schroders merchant bank, has a background in the private financing of public services, particularly in the transport field.

Hughes takes a shot at pots

Susan Mary-Lorraine Hughes, a 42-year-old business school graduate, has been appointed chief executive (designate) of Portmeirion Potteries, which grew out of a small gift shop in a small North Wales tourist resort of the same name.

Hughes, chief executive of Courtaulds Textiles' Meridian clothing business, is being brought in to replace George Hesp, 60. She joins the company on March 7 and will take over in stages from Hesp, who has been group managing director since 1965.

Brett Phillips, Portmeirion's finance director, says there were more than 300 applicants for the job and Hughes had been chosen because she came from a "design-oriented company".

Portmeirion traces its roots back to the 1950s when Euan Cooper Willis and his wife, Susan Williams-Ellis – a designer who had studied under Henry Moore and Graham Sutherland – began selling pottery from a gift shop in Portmeirion, an architectural fantasy designed by Susan's father, Sir William Clough Williams-Ellis. When the couple couldn't find a pottery prepared to make their designs they bought their own pottery in Stoke-on-Trent.

Susan still designs some of the production and her husband remains chairman. Although the family retains majority control, the company came to the the stock market in 1988 and has grown rapidly despite the recession. The company's turnover, more than half of which is exported, has more than doubled to £22.5m over the past five years and pre-tax profits have risen from £1.7m to £3.7m.

More upsets in venture capital

Gilbert Chalk, the founder and managing director of Hambro European Ventures, has resigned after a disagreement with the parent company, Hambros.

His resignation is the latest in a line of departures from UK venture capital companies. Jon Moulton left his position as managing partner of Schroder Ventures last week and Robert Drummond resigned as chairman of Grosvenor Venture Managers before Christmas.

Hambro European ventures, which already manages £30m, has been trying to raise a new fund in what is a particularly difficult market.

It is understood that Chalk and Hambros fell out over the degree of control that the merchant bank was exercising *over investments the venture* capital company was making.

Edmund Truell, already on the board, has taken over as managing director of Hambro European Ventures, and Michael Sorkin, a vice-chairman of Hambros Bank, has been appointed chairman.

■ Peter Griffiths has been appointed chief executive of the newly created structured export finance division and to the board of SINGER & FRIEDLANDER; he moves from Swiss Bank Corporation.

■ Tom Clyde has been appointed a director of STIRLING HENDRY Financial Services.

■ Hugh Feeley, group general manager – Britain, has been appointed to the board of AIB GROUP.

■ Kevin Flanagan and Ian Kennedy have been appointed to the board of the BRISTOL & WEST BUILDING SOCIETY as group services director and group operations director, respectively.

■ Leslie Summer, formerly head of systems development at Midland Bank, has been appointed information technology director of BARCLAYS Global Services.

■ Alan Goodhill, who a year ago left his post as head of European equities at Morgan Stanley to "enjoy some time with his family", has now joined LEHMAN BROTHERS as an md and head of UK/European Equities. Isabelle Hayen, formerly utilities analyst with Morgan Stanley, is also joining Lehman Brothers as a director.

Constructive careers

Embassy Property Group, a development and construction group in the throes of a financial restructuring, has appointed Peter Nuttall, a former director of Blue Circle Properties, as finance director.

Nuttall, 48, was until recently a director of Blue Circle Properties. From 1985 until 1990, he was finance director of ARC Properties, a subsidiary of the ARC Group.

This appointment is the latest in a number of board changes Embassy has made since last September when it announced it was examining ways of refinancing its debts and raising additional finance.

Chief of these was the appointment as managing director of Richard Yerbury, a former managing director of *Hanson Land Development*. He replaced Roger Holbeche, who remains a director.

■ David Fishleigh, formerly with Costain, has been appointed London area director of WIMPEY Construction; he succeeds Mike Godfrey who becomes Southampton area director on the retirement of Bob Baveystock. Mike Rowe, formerly md of PWT Worldwide, has been appointed special projects director of Wimpey Engineering and Construction.

■ John Lerche, formerly joint md of Project Management International, has been appointed joint md with Colin Peacock of HIGGS & HILL Developed Solutions, and a director of Higgs & Hill Construction Holdings. John French, formerly marketing director of Balfour Beatty Building, has been appointed business development director of Higgs & Hill Construction Holdings. Malcolm Wharton, formerly a director of Arrowcroft, has been appointed a director of Higgs & Hill Developments.

■ Sue Parry, sales director, has been appointed to the board of CALA Homes (South).

■ Howard Bibby, formerly a partner with St Quintin, has been appointed md of Leslie Lintott & Associates, part of LONDON AND MANCHESTER GROUP; David Low, who has been acting md for the past year, returns full-time to the group as property manager.

■ Henry Flint has been appointed finance director of HAMMERSON UK Properties.

هكذا من الأصل

The French enlisted history-makers to market the Channel Tunnel, but UK advertising has had to be coaxing and humorous, says **Charles Batchelor**

Softly, softly approach

British newspaper advertisements for the Channel tunnel show cartoon-like figures snoozing their way through the tunnel or driving down tree-lined French roads. The French press advertising campaign, by contrast, features Napoleon, Churchill and Queen Victoria giving their blessing to the venture.

These different approaches reflect national attitudes to the largest European engineering project of the past decade.

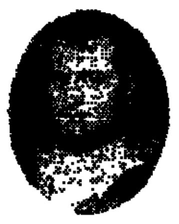
For the sceptical British, used to a stream of stories about problems in the £10bn project, including this week's announcement of another delay in the launch of train services, the approach has had be gentle, humorous and coaxing. For the French, who regard the tunnel with Gallic pride as a natural extension of their record-breaking, high-speed rail network, the tunnel must be presented with all due ceremony.

This two-pronged advertising strategy – which initially caused some controversy on the Eurotunnel board – is part of a wider marketing strategy which has had to address important pricing, distribution and public relations issues.

According to Christopher Garnett, commercial director of Eurotunnel, some people wanted the UK campaign to be triumphal about the achievement represented by the tunnel. But research by Eurotunnel and its advertising agency, DDB Needham, showed that with the problems completing the venture such an approach left people cold.

"We realised our ads could not be pompous. They had to be lighthearted while at the same time explaining why people should use the tunnel. The board did not like that idea at first. They said that they had worked so hard on the project. But in the end the market research swung the argument."

The friendly image of the cartoons – intended to make the journey less of a frightening prospect for those who fear claustrophobia, terrorism or rabies – appears to have worked. Awareness of the Eurotunnel name rose 15 points after the campaign was launched in November last year, while its marketing targets were exceeded by 3 to 4 per cent, says Garnett. Later this month the press campaign will be followed up by television advertisements maintaining the light tone.



Impossible n'est pas français.

Napoléon, empereur

Si cela peut se faire, je donne ma bénédiction.

Victoria, reine

Napoleon and Queen Victoria were deemed inappropriate for the sceptical British

Given that the success of the tunnel hinges on the operators tapping a new market for cross-channel travel, countering fear is inevitably one of the big challenges.

Garnett, who joined Eurotunnel from the ferry company Sealink, now Stena Sealink, in March 1991, claims not to be concerned about surveys which highlight this.

He points out that only 40 per cent of Britons have ever taken their car abroad and only 16 per cent go on a foreign motoring holiday in any one year. At the same time, he adds, relatively few continental Europeans take their cars to the UK, partly because of fears about driving on the left.

Eurotunnel hopes to capture half the existing car passenger market of 6m journeys by 1996. But the company believes it will also be able to create a new class of traveller attracted by the convenience of the shuttle to spend weekends in Le Touquet rather than Devon.

Besides press, TV and poster advertising – the lion's share of Eurotunnel's £25m launch marketing budget – public relations has also played a prominent, if not always constructive, role. The uniqueness of the project – which has guaranteed extensive press coverage – has obviously helped, though this can cut both ways.

An unfortunate choice of words by Charles Barker, the company's PR firm, last month prompted The Sun, the biggest-selling UK tabloid newspaper, to splash a headline on its front page: "We don't want Sun readers in our Chunnel. No entry to you lot." The Sun claimed its readers were seen as too downmarket by the "train snobs" at Eurotunnel.

The announcement of the shuttle fares had provoked a more positive response and a burst of coverage in the news columns, though a premature story in one Sunday paper created a false impression that Eurotunnel would pitch its prices at the lower end of the ferry tariffs.

In fact, the shuttle prices are towards the top of the ferries' range, reflecting both a shortage of shuttle rolling stock which will limit capacity in the early months and the novelty value of travel through the tunnel. The ferry operators were relieved that Eurotunnel had not launched an immediate price war but few people expect these prices to hold for long.

Eurotunnel had initially intended to sell its tickets directly to the public. But because 70 per cent of Britons buy their holiday tickets through a travel agent, Garnett decided to stick to traditional sales methods.

Apart from the lapse with The Sun, Eurotunnel's overall marketing campaign appears to have been well received, even winning a backhanded compliment from one of its rivals. Brian Langford, marketing director of P & O European Ferries, says Eurotunnel is right to present a friendly image in advertising what he calls "a fairly spartan product".

It was clear from the outset that the tunnel would have to be sold on speed and convenience, so there would be little opportunity to introduce on the trains the restaurants, discotheques and shops which are available on the ferries.

It is just these features – conjuring up the idea of cross-Channel sailing as a leisurely experience – which P & O is now using to compete with the tunnel. It is drawing on its traditions as a cruise line, which in the early days served to distinguish the company from its ferry rivals.

Langford acknowledges that P & O cannot match the tunnel in the amounts it spends on promotion, though it is attempting to keep its name in the public eye with a more modest campaign. Even so, many transport specialists expect the ferries to be forced to make sharp reductions in the frequency of their Dover-Calais sailings.

Garnett believes the tunnel will become the natural way to travel to the Continent and that talk of the ferries as a leisure experience will become irrelevant. The millions spent on marketing will undoubtedly help.

Sold on the back of a bus

London's public transport system is a lucrative medium, says **Diane Summers**

To The Gap, there is nothing more attractive than the back of a bus. When the US clothing retailer moved into the British market, it was looking for an advertising medium that would reach upmarket young adults. Buying poster space on London's buses, says the company, "gave us the appearance of owning the town".

Younger, wealthier adults were also the target of Ballygowan, the Irish spring water company, when it expanded into the UK. Beginning with a London launch, it paired a colour magazine campaign with poster advertising on London Underground. Ballygowan took "across track" sites on the Tube – research suggests that travellers spend an average of 3.5 minutes a journey staring at tunnel walls while they wait for trains.

The biggest names are also attracted to London's public transport system as an advertising medium: Coca-Cola, American Express, Nike, Nestlé, Virgin Records, Marks and Spencer and IBM have all advertised on the buses, the Tube or both.

A one-month campaign on the Underground is said to reach 3m adults who are heavily weighted towards the upper end of the market; the potential daily audience for London bus advertising is about 8m. Those advertisers wishing to attract the attention of tourists can concentrate resources in certain parts of town.

For London Transport Advertising, the London Transport subsidiary, all this means £23m worth of business a year, making LTA, with 30 per cent of the London market, the capital's biggest poster contractor.

Overall, LTA is among the UK's top four poster companies.

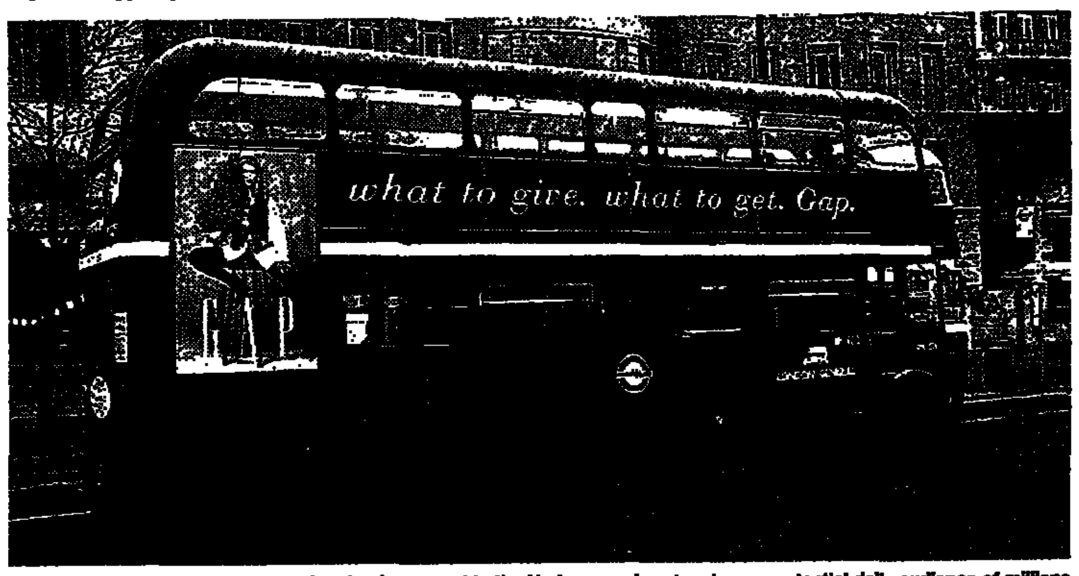
Now LTA is up for sale: around 40 interested parties, including media companies and poster contractors in the UK and France, are thought to be studying the confidential sales information memorandum which went out last month; offers from prospective purchasers are due by mid-April and selection of the purchaser is expected by late May.

Among the interested parties are the 250 staff who currently work for LTA – they have announced that they are attempting a management and employee buy-out. Brian Robinson, managing director, who is leading the buy-out, together with John Swainson, finance director, and Bob Haynes, operations director, describes the sale as a "once in a lifetime opportunity" to acquire what is one of the largest advertising franchises in the world.

The buy-out team can hardly be alone in wanting to expand outside London and to start competing to sell poster advertising in other cities. Such a move, which has been difficult until now because of restrictions on London Transport's areas of operation, would enable the company to make fuller use of its sales force – one of the largest in the poster business – and advanced computer system.

The most innovative of its computer facilities is the "visualisation" system which allows potential advertisers to gauge what their posters would look like in a variety of situations, without having to tramp around stations and down tunnels. LTA has transferred video camera stills of the inside of Underground stations – complete with authentic piles of litter – on to a database. Advertisers can sit at the screen, select a station, look at the sites available within it, and even try out different sizes of poster.

Above ground, there may, after all, be something more beautiful than the back of a bus. LTA is now selling the "super rear" which is the whole back of a bus, rather than just a panel. For this "largest, most eye-catching" site LTA says an advertiser can expect to pay a modest £200 per double-deck bus for a month.



Moving targets: advertisements on London buses and in the Underground system have a potential daily audience of millions

Obituary

Polish composer of wide acclaim

On Tuesday morning, just two weeks after his 81st birthday, the composer Withold Lutoslawski died in his native Warsaw. That was something like a lucky accident, for from the late 1950s – when his *Funeral Music* for strings earned him wide international acclaim and interest – Lutoslawski had spent long periods abroad, teaching in America, Scandinavia and England as well as conducting his own works. He was soon laden with commissions, honorary doctorates and prizes. Recently the South Bank devoted a retrospective series of concerts to his music, and it enjoyed a quasi-popular success that few living composers could expect.

Lutoslawski was already 45 when the *Funeral Music* (an In Memoriam for Béla Bartók, whose musical character it reflected in its own rigorously constructed way) made him internationally known. His discovery proceeded in opposite directions. On the one hand his already substantial *oeuvre*, scarcely known outside Poland, offered a wealth of happy finds: in particular his witty, cross-grained expansion of Liszt's "Paganini" variations (from 1941, when he eked out a living by playing cafe-piano), now a duo-pianists' staple, and the grandly exuberant, playful, slightly menacing Concerto for Orchestra (1954).

In the other direction, there were his newer, radically exploratory pieces, from before the *Funeral Music* and after it – and on and on. The later Lutoslawski never repeated himself. He pursued various ideals of form, always original, often oblique and yet transparent. For a time he flirted (like the Hungarian György Ligeti) with "aleatoric" writing, in which individual players are left to realise free notation in their own ways, but strictly contained within the whole composition.

The common factors were always "definiteness of intention", razor-sharp and unmistakeable; a superb ear for well-placed, unexpected instrumental colour; and a dangerous sense of humour (peculiarly Polish, perhaps). To those, the music of his last two decades – from the Cello Concerto for Rostropovich – added a stern eloquence, which flowered broadly in his third and fourth symphonies, but turned laconic and even savage in his series of contrapuntal *Chains* for smaller ensembles.

The London Sinfonietta was among the beneficiaries of that series. It is sad to think that the *Chains* are broken off now: they amounted to a public exhibition of a first-class composer's developing thoughts, and one awaited each new instalment with excited anticipation. It is consoling to remember that there is plenty of late Lutoslawski that cries out for further, rewarding acquaintance. still; and to reflect that his long career culminated – unlike most composers', contemporary or long-past – in a quarter-century of deserved admiration.

David Murray

Horribly trapped between reportage and re-imagining: Daniel Day-Lewis as Gerry Conlon in Jim Sheridan's Oscar-nominated film about the Guildford Four

Cinema/**Nigel Andrews**

The varnished truth

Sometimes "real-life" stories in the cinema are the hardest to believe of all. *In The Name Of The Father* comes towards us loud with topicality (Irish Troubles), ardent with indignation about the fate of the Guildford Four, and all but pasted over from head to toe with yesterday's newspaper cuttings.

Yet I scarcely believed a single moment of it. Yes, of course it "happened": give or take some dollops of cinematic licence. Yes, Gerry Conlon and his three co-victims of miscarried justice spent 15 years in jail for a pub bombing they never perpetrated. And yes, they were released after long lobbying by friends and family: or those of them still free or alive after British justice had done its work.

The movie has already been cheered in Ireland and praised in America. We, the whipping boys, get it last. But a nation on the receiving end of punitive propaganda often gets the truest view. As the whip comes down, it can peer up at the exaggerated body-language and the intelligent features changed by empurpled melodrama.

As in *My Left Foot* and *The Field*, director Jim Sheridan takes a Big Subject and piles on the big emotions and big scenes. Sundered families; father-son showdowns in jail; battling barristers (Emma Thompson shining through an armful of briefs); and a supporting cast pitting brutal Irish ideologues against brute British pragmatists. To our left: Don Baker as the jail's fictional Provo-cateur who sparks riots and turns prison guards into human torches. To our right: Corin Redgrave as the dour, assembly-kit top cop named "Dixon", a sort of Jack Warner from Hell.

Where *Foot* had a miracle-working central performance from Daniel Day-Lewis and *Field* had its DIY aura of mythic pastoralism, Sheridan's new film is horribly trapped between reportage and re-imagining. Day-Lewis is back, but his Gerry Conlon is not a person, more an actor's exercise. Though drawn from life – the long black curls, the blend of fecklessness and street-smarts, the famed harangue to the media circus when freed – the character never seems more than a skin-deep bid by an actor radiating stoical magnitude to play weakness, skittishness and bewilderment.

The failures of imagination and identification mount up. Who *are* these rent-a-crowd Brits and Irish who keep steaming up the screen? Are all anti-terrorist cops merely multi-decibel thugs like the night raiders who arrest Gerry? ("Get up out of bed, you dirty murdering bastard!" cries one, just in case we think they woke him with a cup of tea and a newspaper). And are all Irish terrorists pale-eyed, guard-torching psychos like the composite played by Baker?

Where the supporting *dramatis personae* are conveyor-belt clichés, the main characters are flawed factory one-offs. At the film's supposed heart is the relationship between the Conlons, father and son. Dad (Pete Postlethwaite) was also wrongfully arrested for terrorism, so Sheridan has the sentimental inspiration of letting the two men share the same cell for the duration of their sentences.

It never happened, but what the hell. Schiller had Queen Elizabeth meet Mary Queen Of Scots: no good art without licence. But rather than strengthening the movie, this reduces the father-son liaison to a glib mutual therapy session designer-scripted to make Gerry see the light about authority figures. Ah! (he realises over the slow, unageing years): better peaceable old Pop with his luminous inner strength than the braying prescriptions of Irish fanaticism or British despotism/duplicity.

And so the long bromide-opera wears on. Almost every idea in this movie has been puréed for simpletons. We are spoonfed the early 1970s as flared trousers, soft drugs and offcuts from *Blow Up*. We are spoonfed the Irish Troubles as a tale of Them (Brits) versus Us (Irish), sweetened with a few concessions about bilateral bad apples. And we are spoonfed the redressing of injustice as Emma Thompson holding passionately forth in a never-happened courtroom finale.

To wash it all down is the cold coffee of Captionland. Yes, up there in white letters on black background: what happened to the characters after the end of the film. But of course the film never really began. What we want to know is what happened to the characters *during* the film: and what happened to Britain and Ireland during all those years consigned by Sheridan to the de-flavourising machine of pop-agitprop movie history.

The week does not improve, but at least it lightens up. If France called Euro Disney a "cultural Chernobyl", what ever will they call the latest Hollywood version of *The Three Musketeers*? Enter screen left four colloquial, ill-shaven, Burbankspeaking bratpackers: Charlie Sheen (Athos), Kiefer Sutherland (Aramis), Oliver Platt (Porthos) and Chris McDonnell (D'Artagnon). Exit screen right Alexandre Dumas.

IN THE NAME OF THE FATHER (15)
Jim Sheridan

THE THREE MUSKETEERS (PG)
Stephen Herek

FREE WILLY (U)
Simon Wincer

We are all for a good slap-happy version of adventure fiction's great *cheval de guerre*: a film full of witty anachronisms, camp villains and tone-hopping dialogue. But unfortunately we had that already 20 years ago, in Dick Lester's brace of musketeer movies. The new film substitutes imbecility for wit and historical crassness for judicious anachronism. Our four heroes dash about rural Austria (playing rural France) in search of wrongs to right, castles to question the architectural provenance of, and warring accents to sort out.

The good chaps are largely American. The bad chaps are largely English, led by Tim Curry's preening Richelieu. The high point of the first ten minutes is Curry's multi-syllable response to the news that three rebel musketeers are trying to defy him. "Thre-ee-eegh?" he quavers, consigning Edith Evans's handbag to acting history's *oubliette*. But after that it is all downhill: with Rebecca De Mornay's Milady, Hugh O'Connor's King Louis and all four musketeers fighting over the Oscar for Worst Performance In A Costume Film.

So we turn to *Free Willy*. Now there is an assignment for a modern musketeer. A green Dumas might have penned this ecologically correct yarn in which an orphaned killer whale who wants to escape his Oregon seaquarium (played by a Mexico City seaquarium) is helped by an orphaned boy who wants to escape – yes! – *his* stifling goldfish-bowl existence in an adoptive home with a swank view of the Pacific. The boy (Jason James Richter) has only two consolations: his mouth organ and his summer job at the Sea World.

Willy, the said whale, soon warms to the boy and his organ. And the boy warms to his Willy. The film is directed by Simon Wincer, who established his animal-schmaltz credentials with *Phar Lap*. Just to ensure that our tear ducts are fountaining as freely by the close as Willy's spouter, Wincer has the boy say to the whale "I love you" at least four times, accompanied by keening music from Basil (*Blue Lagoon*) Poledouris. Anti-whaling audiences, roll up. Anti-wailing audiences, stay away.

Royal Ballet nurtures its creative talent

Clement Crisp catches 'Dance Bites' at Leicester and finds that excellent intentions have produced admirable results

The Royal Ballet has come up with a welcome new development in both touring and creativity. Offered under yet another odd title – what does *Dance Bites* mean? – the enterprise takes a small group of dancers (27 in all) for short visits to regional theatres, in Leicester, Cambridge, Blackpool, with a repertory containing three new works by company choreographers. Staging, as I saw in Leicester, is simple; forces are limited; and I would hazard that costs have been kept low. Excellent intentions, admirable results.

The audience at Tuesday's matinee was enthusiastic, and there was a sense of youthful verve about the performance, of creative talent being sensibly nurtured – not chucked in the deep-end at Covent Garden, but trying ideas on a smaller and less redoubtable scale. The intimacy of means, the frankness of contact with a public in a medium-sized theatre (Leicester offered fine sight-lines), also helped to "humanise" the idea of the Royal Ballet, away from the inevitable pomposities of an Opera House. The public's only complaint might be about the barmy titles in the programme – *Desirable Hostilities*, *Caught Dance*, *Herman Schmerman* are more like cryptic crossword clues than aids to understanding.

William Tuckett and Matthew Hart, the company's aspirant creators, have produced short works. Tuckett's *Desirable Hostilities* uses five of Bach's preludes from the 48 as a ground on which two men (Matthew Trent, Alastair Marriott) and two women (Rachael Whitbread, Violeta Gaston) spar, contemplate their own navels, and behave with that provocative and uneasy manner which has been patented for the dance-stage by William Forsythe. There is a suspicion that they have been rather badly brought up, but the writing is fluent, and the solos for the men, who have more searching choreography than the women, are intriguing, hinting at youthful angst and uncertainty. The cast are in black and the girls might sue over their dreary mini-leotards.

Matthew Hart's *Caught Dance* is a duet for Leanne Benjamin and José Manuel Carreno. The score is Lutoslawski's *Dance Preludes*, whose Polish folksiness Hart rejects. Instead, we seem to be watching a courtship between exotic creatures: Yoland Sonnabend's black and red leotards make the dancers look like Amazonian beetles or birds. I suspected the lurking presence of cameras and David Attenborough for yet another nature programme about copulation in the jungle, but the choreography is well made, Leanne Benjamin is a triumphant predator, and Hart's originality shows fascinatingly through the conventions of the partnering, and in the ingenuities of Carreno's solos.

The most elaborate work in the programme is Ashley Page's new *Renard*. This has always been an awkward cuss of a score, almost too firmly shaped by Stravinsky in theatrical manner for choreography. The succinct narrative, like the music and the sung text, is locked into Russian folk traditions, and there have been few danced realisations. Page has seen its potential as a stage picture, as he did with his *Soldier's Tale* for Rambert, and he has turned to the same designer, Bruce McLean. So we have a vivid, bright setting: a green structure – cock and hens on a platform raised above the stage, with a descending ramp – a magenta sky, and bold costumes. The red fox has a jokey hair-brush as a hat. The Cock, in black, has a red penis appliquéd on his costume. The hens have chic little red hats to suggest their crests. It is very jolly, and the action, in simple dance terms, is clear – it is not a piece that will permit much other than faux-naif capers. It is well danced – Jonathan Cope as the Fox; Peter Abegglen as the Cock; Adam Cooper as the Goat; Stuart Cassidy as the Cat, with six hens – and well sung and played under Lionel Friend.

The rest of the programme brought *Monotones 2* – somewhat less serene than heretofore, and demonstrating that its cast of three really need the expanse of an opera house stage if Ashton's patterns are to breathe – and William Forsythe's *Herman Schmerman*, without which I have decided I can very happily do, and did on this occasion.

This *Dance Bites* tour is sponsored by the Audrey Sacher Charitable Trust and the Friends of Covent Garden. It can be seen at the Corn Exchange, Cambridge, on February 10, 11, 12; at the Grand Theatre Blackpool on February 14, 15

INTERNATIONAL ARTS GUIDE

ATHENS

Megaron Tomorrow: Athens State Orchestra. Sat: ERT National Symphony Orchestra and Chorus. Sun: Bruno Giuranna and friends play chamber music by Schubert (01-728 2333/01-722 5511)

BOLOGNA

Teatro Communale Tomorrow, Sun afternoon, next Wed, Fri, Sun: Daniel Oren conducts Jonathan Miller's production of Maria Stuarda, with cast headed by Kallen Esperian (051-529999)

CATANIA

Teatro Bellini Sun: Stefan Soltesz conducts first night of Petrika Ionesco's production of La fanciulla del West, with Barbara Daniels, Nicola Martinucci and Silvano Carroli. Repeated Feb 15, 17, 20, 22, 24 (095-715 0921)

GENOA

Teatro Carlo Felice Tomorrow: Donato Renzetti conducts first night of Filippo Crivelli's new production of L'elisir d'amore, with Luciana Serra (repeated Feb 13, 15, 18, 20, 22). Next Wed, Thurs, Sat: Ballet Theatre de l'Est in Zorba the Greek, choreography by Lorca Massine, music by Mikis Theodorakis (010-589329)

LONDON

THEATRE

● The Life of Galileo: Brecht's masterpiece about the struggle between faith, the responsibility of the individual and the laws of science. Jonathan Kent directs a new version by David Hare, with Richard Griffiths in the title role. Opens tomorrow (Almeida 071-359 4404)

● Angels in America: the two parts of Tony Kushner's contemporary epic are played on separate evenings in the Cottesloe. The National also has Alan Bennett's acclaimed stage adaptation of The Wind in the Willows, Caryl Churchill's strange and strong new play The Skriker and Sophie Treadwell's Machinal starring Fiona Shaw (National 071-928 2252)

● An Absolute Turkey: Felicity Kendall plays a harassed wife and Griff Rhys Jones a frantic bachelor in Peter Hall's enjoyable production of Feydeau's Le Dindon (Globe 071-494 5065)

● Medea: Jonathan Kent directs the magnificent Diana Rigg in Euripides' tragedy of a woman's revenge. Till Feb 26 (Wyndham's 071-867 1116)

● Oleanna: Denis Lawson and Michelle Fairley have taken over the leads in David Mamet's powerful two-hander about political correctness and sexual harassment (Duke of York's 071-836 5122)

● September Tide: first West End showing for 45 years of Daphne du Maurier's drama of inappropriate passion, with Susannah York as the decent woman in love with her son-in-law (Comedy 071-867 1045)

OPERA/DANCE

Covent Garden A new production of Massenet's Chérubin opens on Mon with a cast headed by Maria Bayo and Angela Gheorghiu. Gennadi Rozhdestvensky conducts a staging by Tim Albery (till March 1). This month's repertory also includes Elektra with Eva Marton (till Feb 17) and a revival of Rigoletto, first night Feb 19. There is a final performance tonight of Opera North's production of Gloriana, with Josephine Barstow as Queen Elizabeth (071-240 1066)

Coliseum ENO has Jonathan Miller's new production of Der Rosenkavalier with cast headed by Anne Evans, Sally Burgess and John Tomlinson (till March 16), plus Nicholas Hytner's production of Xerxes (till Feb 24) and a revival of Falstaff, first night next Thurs (071-836 3161)

Sadler's Wells Tonight, tomorrow, Sat: Irek Mukhamedov and Company in new version of Othello choreographed by Kim Brandstrup, plus works by Balanchine, Vaganova and Michael Corder (071-278 8916)

CONCERTS

South Bank Centre Tonight, tomorrow (QEH): Simon Rattle conducts Orchestra of Age of Enlightenment. Tomorrow: Richard Hickox conducts LPO in Beethoven and Elgar, with piano soloist Lars Vogt. Sat: Vernon Handley conducts RPO in Birtwistle, Elgar and Vaughan Williams. Sat (QEH): Olga Borodina song recital. Sun, next Wed and Sat: James Levine conducts the Philharmonia. Sun (QEH): Allegri String Quartet 40th birthday concert. Tues: Roger Norrington conducts LPO in Beethoven and Brahms. Wed (QEH): Matthias Bamert conducts London Mozart Players in Birtwistle, Bach and Schubert (071-928 8800)

Barbican Tonight: James Judd conducts New Queen's Hall Orchestra in an Elgar programme, with cello soloist Robert Cohen. Tomorrow: Oliver Knussen conducts London Sinfonietta, with clarinet soloist Michael Collins. Sat and Sun: André Previn conducts LSO in two programmes, including Walton's Viola Concerto on Sun with Yuri Bashmet. Next Wed: Ken-Ichiro Kobayashi conducts Hungarian State Symphony Orchestra, with violin soloist Lydia Mordkovich (071-638 8891)

MADRID

Auditorio Nacional de Musica Tonight: Ensemble Erwartung of Paris in works by Ravel, Milhaud, Honegger and others. Tomorrow, Sat, Sun: Walter Weller conducts Spanish National Orchestra in Brahms and Kodaly, with piano soloist Joaquin Achucarro. Tues: Victor Martin conducts Spanish Chamber Orchestra in Vivaldi and Bach (01-337 0100)

MILAN

Teatro alla Scala Tonight, Sat: Georg Solti conducts Wagner concerts with soprano Deborah Polaski. Mon: Orchestra Filarmonica della Scala. Tues: Alban Berg Quartet. Wed: Gianandrea Gavazzeni conducts first night of Nicholas Joel's production of Puccini's La Rondine, with cast headed by Denia Gavazzeni Mazzola (repeated Feb 18, 20, 22, 24, 26, 27, March 1 and 3). Feb 21: Samuel Ramey song recital (02-7200 3744)

PRAGUE

● Leopold Hager conducts Czech Philharmonic Orchestra tonight, tomorrow and Sun at Dvorak Hall. The programme consists of works by Petr Eben, Beethoven and Mozart. Next week's concerts are conducted by Mark Wigglesworth (02-286 0111)

● Paavo Järvi conducts Prague Symphony Orchestra next Wed at Smetana Hall in Wagner, Mozart and Beethoven, with violin soloist Andrea Cappeletti (02-232 2501)

● A new production of Carmen, conducted by Martin Turnovsky, opens next Wed at Prague State Opera (02-265353)

● Repertory at the National Theatre includes La boheme, The Bartered Bride, Rusalka and The Makropoulos Case (02-205364). Estates Theatre has Die Zauberflöte tonight and Don Giovanni on Feb 16 and 24 (02-228658)

ROME

CONCERTS

Teatro Olimpico Tonight: Andras Schiff piano recital. Next Thurs: Uto Ughi (06-320 1752)

Teatro Valle Tomorrow: American String Quartet. Sun, Mon, Tues: Aldo Ceccato conducts Orchestra dell'Accademia di Santa Cecilia in works by Albeniz, Ravel, Bernaola and Falla. Next Wed: Simon Rattle conducts Orchestra of Age of Enlightenment. Next Fri: Samuel Ramey song recital (06-678 0742/ 06-6880 3794)

Universita La Sapienza Sat: Cherubini Quartet. Feb 19: André Watts (06-361 0051)

Teatro Il Sistina Sun morning: Academica Quartet plays string quartets by Mozart, Rossini and Mercadante. Feb 20: Gary Karr, double bass (06-5734 4664)

OPERA

This month's repertory at the Teatro dell'Opera consists of Manon Lescaut and Lucia di Lammermoor, both staged by Gian Carlo Menotti. The Puccini is revived tomorrow with Elena Filipova in the title role and runs till March 5. A new production of the Donizetti opens on Feb 26 with cast headed by Mariella Devia and Vincenzo La Scola. Programme subject to cancellation or change at short notice (06-481 7003)

TURIN

Teatro Regio Next Tues: Alain Guingal conducts revival of Lorenzo Mariani's Florence production of La forza del destino, with Aprile Millo, Sergey Larin, Paolo Coni and Roberto Scandiuzzi (repeated Feb 18, 20, 22, 24, 26, 27, March 1, 3, 6). Next Wed: Samuel Ramey song recital (011-881 5214)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

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MONDAY TO FRIDAY
Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
Super Channel: FT Reports 1230.
TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1845, 2345
WEDNESDAY
Super Channel: FT Reports 1230
THURSDAY
Super Channel: FT Reports 2130
Euronews 0745, 1315, 1545, 1845
FRIDAY
Super Channel: FT Reports 1230
Sky News: FT Reports 2030
SATURDAY
Sky News: 0330; 1330
SUNDAY
Super Channel: FT Reports 2230
Sky News: FT Reports 1730; 0430

Going the extra mile to beat the rest

BOOK REVIEW

London's pre-eminence as an international financial centre appears to defy the logic of economic history. Venice, Antwerp, Genoa and Amsterdam, which in turn dominated European finance between the late 15th and early 19th centuries, largely owed their financial strength to their competitiveness in international commerce.

The City of London took the lead in the 19th century on the back of unparalleled growth in Britain's domestic economy, a dominant position in world trade and the widespread acceptability of sterling. Much the same could be said of New York when it posed a serious challenge to London's international role after 1918, as the dollar eclipsed the pound. Competitiveness in international finance appeared, until then, to march hand in hand with national economic and commercial strength.

The postwar period has been different. While New York and Tokyo are unquestionably bigger financial centres than London, their share of purely international business is probably smaller. In spite of Britain's relative economic decline and the structural weakness of sterling, the bankers and merchants of the City of London have managed to re-establish themselves on the global stage in a way that has eluded British politicians. This performance is counter-intuitive, and the explanation owes much to history. So much the better, then, that David Kynaston, whose earlier books include histories of the Financial Times and of stockbrokers Cazenove, has embarked on an ambitious new three-volume account of the Square Mile.

His starting point is 1815, which broadly marks London's emergence as the financial hub of Europe following the flight of capital from Amsterdam to the City during the Napoleonic wars. This late entrée has its disadvantages, in that we miss the excitement of the South Sea Bubble. More important, it involves the loss of a crucial part of the City's story – the

THE CITY OF LONDON: VOL I – A WORLD OF ITS OWN 1815-1890
By David Kynaston
Chatto, £25, 497 pages

role played by the Glorious Revolution of 1688 in establishing Britain's comparative advantage in international finance. It was the revolution that turned Britain into the only important European power apart from the Netherlands to sustain a government debt market and public finances that were safe from the predatory behaviour of the monarch. There followed the foundation of the Bank of England and the rise of the merchant banking community, without which the City could not have become the centre for foreign lending and trade finance in the 19th century.

That said, Kynaston's is an exceptionally readable account, which gives due weight to the cultural and social factors that helped transform the City into such a powerful financial engine. The gamey character of the Square Mile in the 19th century, with its crashes, frauds and insider dealing, is beautifully conveyed. So, too, is the robustness of 19th-century finance capital. When the City came under attack after the skulduggery of the foreign loans boom of the early 1870s, Charles Branch of brokers Foster & Braithwaite defended outright speculation by declaring that "a stock exchange restricted to investment business would be as useful and as popular as a public house licensed only for ginger beer".

Such straight talking turned, at times, into powerful anti-semitism. When a corrupt City editor of The Times resolutely puffed one Rothschild bond issue after another, the paper came to be known as the "Jews' harp". Yet anti-semitism did not prevent the Rothschilds finding their way into the peerage – first, because money talked; second, because ministers feared that if the Rothschilds were not in the aristocratic camp, they might join the democratic one.

The dependence of prime ministers and chancellors on the house of Rothschild meant that the scions of the family were able, in the old City phrase, to get on financially and get honour. Then, as now, the rewards in merchant banking dwarfed those available even to the most innovative industrialists. Small wonder that Bertram Currie, the driving force at private bankers Glyn, Mills, Currie, declined to take a seat in the House of Commons because, he said, it would have "diverted my mind from money-getting".

Social acceptability took time, not least because Queen Victoria was won over with difficulty. According to a minion, she felt that the trade of these City gamblers was "far removed from the legitimate trading which she delights to honour, in which men have raised themselves by patient industry and unswerving probity to positions of wealth and influence". There is, it seems, a regal antecedent for the Labour party's view of the Square Mile.

The 19th-century City differed from the late 20th in that power was more heavily concentrated. In merchant banking the chief focus was, in Byron's phrase, on "Jew Rothschild and his fellow Christian, Baring". The ebb and flow of the fortunes of these two houses provide a counterpoint that runs through the book. The other central thread is the story of the Bank of England stumbling by way of successive financial crises into its role as a modern central bank. The two strands converge when William Lidderdale, the Bank's governor, duly emerges as the hero of the Baring crisis of 1890, demonstrating nerve and sound judgment in his role as lender of last resort.

Kynaston is not uniformly clear in his treatment of the economic and financial detail. And given the bankruptcies and collapses that punctuate the tale, it would have been interesting to hear more of the murky business of insolvency practice, out of which the modern accountancy profession was born. But these are paltry reservations on a colourful narrative full of well-judged extracts from contemporary material. Roll on volume two.

John Plender

ECONOMIC VIEWPOINT

A rather curious base rate cut

By Samuel Brittan

Here is a good question for a teenager aspiring to become an economic scribbler. After the monthly meeting between the UK chancellor, Kenneth Clarke, and the governor of the Bank of England, Eddie George, on January 12 they decided against an interest rate cut. At their next meeting on February 2, they decided to make one after all.

What could have happened in three short weeks to make them change their minds? (An answer in terms of personalities will be disallowed, at least until the coffee break after the formal interview.)

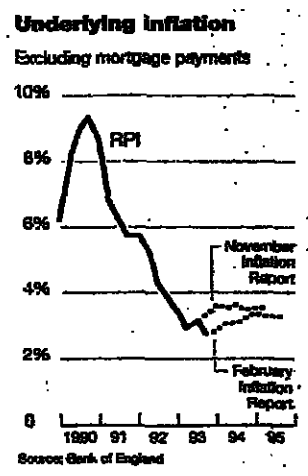
The uneasy feature of the latest interest rate cut is the preponderance of short-term influences. The current move has been triggered off by a few months of better-than-expected inflation figures, which in turn have been projected into the period ahead. "Interest rates should be as low as possible and as high as necessary" is not a quotation from Kenneth Clarke, but is a good guide to what he is likely to do. Is it an adequate principle?

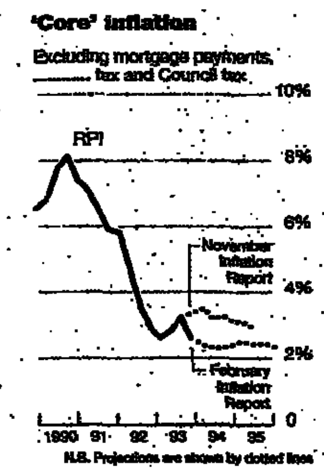
The more tangible influences on the base rate decision are conveniently listed in the Bank's new February inflation report. The Bank quite rightly publishes a variety of inflation indicators. The message from all of them is that inflation is now in the neighbourhood of 2 to 2¼ per cent per annum – only slightly above the headline RPI rate. It expects its new index of the core rate – which excludes indirect and local authority taxes as well as mortgage interest – to level out in this range for the rest of 1994 and 1995. This is between ¼ and 1 per cent below what the Bank projected in November. (The underlying rate including these taxes is expected to rise slightly in the wake of the Budget and then level off at slightly more than 3 per cent.)

The Bank also takes comfort from its chart of financial market expectations in the more distant future, which it derives by subtracting the yield on indexed gilts from that on conventional gilts of comparable maturity. The expectation on February 2 was that inflation would peak at about 4 per cent around the year 2000, and then drift back towards 3 per cent.

The Bank's chart does not, however, show the deterioration resulting from the fall in gilt-edged prices, which began in late January and has accelerated since the base rate cut.

The key to all forecasts is that they follow unexpected changes in current data. In this case, the main reason for the change in the Bank's 1994-95 forecast was the surprisingly low RPI figures for three months in succession, reflecting in its view "not only greater competition among retailers, but also stronger than expected disinflationary forces in the economy as a whole".





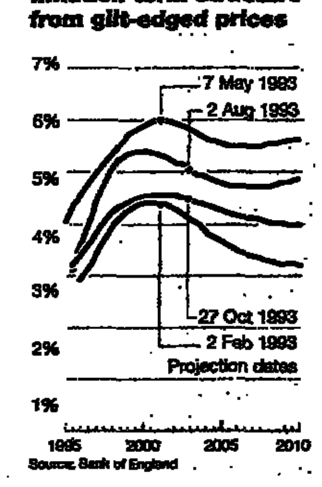
These are all reasons to present to someone who is against cutting interest rates. What are the positive reasons in support of a cut? The main threat to the pace of recovery mentioned by the Bank is "the deflationary impact of the November Budget's tax and spending announcements in the short run". The Bank estimates that personal disposable income will be squeezed by a cumulative 3 per cent over 1994-95. The squeeze will not begin in earnest until the income and national insurance increases take effect in the year starting in April.

I was concerned about the size and timing of some of these increases before there was firm enough evidence of adequate economic recovery. But having decided that the man in the City or Commons bar was right about the evils of budget deficits, Mr Clarke should not have tried to offset his own measures by monetary relaxation merely on the basis of forecasts. There have been several past fiscal packages of comparable severity which have not brought any undesirable slowing down of economic activity; and I would have preferred to wait and see.

Treasury and Bank officials are obviously worried that workers will try to recoup the tax squeeze on their take-home pay by pressing for and obtaining higher wage awards. That could lead to a reacceleration of nominal pre-tax earnings growth from its present annual 3 per cent – the lowest for more than 25 years. But that surely is an argument for making pay increases more difficult to obtain rather than relaxing credit.

Interestingly enough, nearly all the other factors listed by the Bank, both real and monetary, weaken the case for an interest rate cut. These are: confirmation of the recovery in both output and employment, as well as an acceleration of monetary growth. The Bank's writers could hardly be more explicit when they say that these forces are are "likely to reduce the downward pressure on inflation", which they do not expect to fall much further from its present low but still decidedly positive level.

Inflation term structure from gilt-edged prices



Indeed, since the chancellor and the governor met, we have had more very bullish indicators, including a spectacular rise in housing starts and a survey showing a fall in bankruptcies to the lowest level since December 1989. Looking ahead, the Bank sees improving personal debt positions, an upturn in stock building and a modest turnround in the continental economies. New CBI regional surveys show the recovery spreading for the first time to all regions except Northern Ireland.

My own worries relate to the gap between output and productive capacity. Underlying inflation depends both on the size of the output gap and the rate at which it is changing. When the gap is already shrinking – which is a good definition of genuine recovery – why take risks? Whatever the size of the output gap, the Bank has little doubt that it is beginning to narrow – as is, indeed, obvious from the pickup in labour demand and the answers to questions on capacity in the CBI Trends survey. It is the small chances taken early in a recovery that sow the seeds of much larger inflationary pressures later.

The Bank itself says that the risks to its central inflation projections are asymmetrical – "a rise in underlying inflation seems more likely than a further fall". It reaches this conclusion on the somewhat different grounds that inflationary expectations have – despite the evidence cited earlier – not yet fully adjusted to the sharp falls in inflation experienced over the last two years or so. Surveys suggest that ordinary citizens are more pessimistic than financial markets about inflation and expect something worse than the recently experienced rate. This may be the sheer cussedness of human nature or the triumph of experience over hope.

The clue as to why the Bank went along with the base rate cut may well lie in the recent increase in the US federal funds rate from 3 to 3¼ per cent – of which the Bank would have had some advance hint. It is still not difficult for Britain – or other European countries – to move in the opposite direction to the US, given the large interest rate differential in their favour. But the supplementary thought could well have occurred: "We had better act now before US rates rise too far or political events in the UK undermine confidence and reductions here become too difficult." If the Bank had any doubts about its intention to put its toe into the water with a ¼ per cent move before going any further, then the Fed's action will have removed them.

Changing base rates in small jumps of ¼ per cent, instead of the minimum of ½ per cent we have seen in the past nine years, may help depoliticise monetary policy. If so, fine. But the debate about whether to take many small interest rate steps or a few large ones is the kind of issue, cloaked in market mystique, on which too many of the best brains of the Bank of England spend too much time. We all know that, in a real emergency, rates will still be changed by leaps of one or two percentage points – either way.

The main advantage of the latest cut in UK base rates is that it brings nearer the time when people will realise that the next interest rate move may as readily be upwards as downwards. It is impossible to have stability in everything; and some movement of interest rates in both directions is the price for achieving low, stable rates of inflation and avoiding unnecessary fluctuations in output and employment.

LETTERS TO THE EDITOR

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Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

The badly advised should be reinstated

From Mr P Trickett.

Sir, Publication of the results of the inquiry commissioned by the Securities and Investments Board (SIB) about pension scheme transfers has rightly caused enormous public concern. That a staggering number of people have been wrongly advised to transfer the value of their company pensions to personal pension plans is indisputable.

Attention must now turn to how these wrongs should be put right. For most members, the most satisfactory solution would be to reinstate benefits as if membership had never ceased. The Mineworkers' Pension Scheme (MPS) has stated its willingness to do this where personal pension providers accept poor advice was given and are prepared to meet the full cost of reinstatement. A number of former members have already been reinstated. However, it seems this willingness is not shared by other occupational schemes. A recent survey by an independent pensions consultant revealed that no other schemes were prepared to accept reinstatements. This approach will do nothing to help those disadvantaged and nothing to help improve the tarnished image of the pensions industry.

A commonly held view is that because members taking a transfer legally sever all links with their former scheme this means that schemes can justifiably wash their hands of bad advice cases. Members who took transfers should not be regarded as exceptionally rash or gullible. They had the assurance that they could rely on the Financial Services Act to ensure that best advice was being given. If they were advised to transfer there was supposed to be no doubt that it would be in their best interests to do so. Until recently, regulatory bodies refused to accept there was a problem. Under these circumstances I think that occupational schemes have a part to play in ensuring rights are restored.

Company schemes are set up with the expectation that a pension will have to be provided for all former employees. Restoring a member to the position he would have been in had he not taken a transfer should present no additional risks as long as the full costs of reinstatement are met by the personal pension provider.

I accept there may be some technical difficulties with reinstatement but doing nothing in the expectation that the outcome of the SIB review will take away the problem seems an inadequate response. Until then those who have taken transfers will be worried about future retirement provisions and an increasing number of former occupational scheme members and their families will suffer real financial loss as pensions come into payment and deaths occur. Where the opportunity to reinstate benefits exists, pension schemes should grasp the nettle and welcome members back now.

Paul Trickett,
head of pensions,
Mineworkers' Pension Scheme,
105 Queen Street,
Sheffield S1 1GF

Point of lesson missed

From Ms Denise Larking Coste.

Sir, William Packer has completely missed the point in his article, "Betrayed by the system" (February 8), on the *Lessons in Life* exhibition at the Royal Academy of Arts, which is devoted to the Outreach Programme.

The programme is not about learning, it is about getting people to *want* to learn. The *Lessons in Life* exhibition reflects this admirable mission, admirably.

Nobody is claiming that people can be taught to draw in a day's workshop.

Denise Larking Coste,
executive vice president,
CIES,
61 Quai d'Orsay,
Paris,
France

Case for ERM re-entry

From Mr Andrew Ive.

Sir, The paper published by the No Turning Back Group ("Radical Tories urge benefits overhaul", February 3) contains many interesting ideas for the future of the European Union. The attitude taken towards the possibility of re-entry into the exchange rate mechanism in the future, however, does seem to take more account of the problems of the past than those which might arise in the future. With the bands set as widely as they are today, the scope for damaging realignment speculation is minimised, while a degree of linkage is maintained. Even narrowing the bands would be possible in the future, although the perils of over-rigidity should be borne in mind.

The key weakness of the system in recent years has been the reunification of Germany, which has injected a shock which must be seen as one unlikely to be repeated. In some years, when Europe has genuinely begun to act as a unit, when this shock drops out of the system and the economies of the member states are much more closely aligned, it is possible that a much tighter system of co-operation could be appropriate. To rule this out would be foolish, for the argument against such a scheme is strongest when based on economic fundamentals.

This scenario is certainly unlikely to occur in the near future, but there is always the possibility that at some point a cross-border monetary policy will become beneficial.

Andrew Ive,
deputy chairman of the Bow Group,
92 Bishops Bridge Road,
London W2 5AB

33 and still laughing

From Mrs J Walker.

Sir, I have just finished reading Christopher Dunkley's article "Funny icons of youth" (February 9), and to be honest, I don't get it.

I cannot understand why, if the comedians such as Sayle, Saunders, Elton etc disappoint him so much, he doesn't just utilise his other options – namely, turn over to another channel, switch the television off altogether, listen to the radio, read or even, God forbid, hold intelligent conversation with his partner.

I also do not understand how someone who obviously was a teenager in the 1960s can be commenting on what the youth of today consider rebellious, and their "own personal thing man".

I happen to be a 33-year-old financial director's secretary, married, no kids, and come from a family of four girls, the youngest of which is 16. I do not consider myself over the hill, in fact I think I must be a very young 33-year-old, as my 16-year-old sister actually likes having me around and going out with me and my 40-year-old husband. But maybe it could be because we do not condemn her and her friends for what they like or consider to the "their rebellious domain". I was a rebel at 17, just as my parents were and probably their parents etc, etc. It is immaterial whether it is comedy or the Rolling Stones that is the "in thing". The time to start worrying about the youth of today is when they start to hold fascists, dictators, cult religions etc. in the same high echelons as the Rolling Stones were to Mr Dunkley.

I do agree that the present Alexis Sayle series, Absolutely Fabulous 2, Ben Elton – Man From Auntie, are not as good as previous series, but they still make me smile and laugh, and really that's what it's all about, isn't it?

J Walker,
41 Lingmoor Drive,
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No wonder he was smiling

From Mr George R Illingworth.

Sir, In the FT feature, "The future of Auschwitz" (February 5/6), I read that a smile is a Japanese way of showing discomfort. On Monday, on the people page (Monday Interview), I read that BMW brings a broad smile to the wrinkled face of Mr Nobuhiko Kawamoto, the president of Honda.

Is it any wonder?

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FINANCIAL TIMES

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Thursday February 10 1994

Mr Hosokawa must say no

The summit in Washington on Friday between Japan's prime minister, Mr Morihiro Hosokawa, and US president Bill Clinton, is unlikely to be a success. But this need not be a bad thing. As US negotiators were fond of saying during the Uruguay round of trade negotiations, better no agreement than a bad agreement. If the US were to obtain all it wants, this summit would be a disaster.

The background to the meeting is long-standing US resentment over the Japanese trade and current account surpluses and the low penetration of the Japanese market by imports. To these complaints have been added more immediate worries about the Japanese economy, stagnant since the fourth quarter of 1991.

In pressing US concerns on the Japanese authorities, the Clinton administration has made two innovations: first, it has made the relationship with Japan among the highest priorities for its foreign policy and, second, it has demanded Japanese agreement to qualitative and quantitative criteria for assessing success. So far the Clinton administration's attempt has failed. Mr Jeffrey Garten, the US commerce under-secretary, has even claimed that the two sides "do not seem to have even a common understanding of the problem, let alone a consensus on the solutions".

This is not that surprising, since US trade demands represent almost perfect examples of the mercantilist fallacy. Where the US makes more sense is on macroeconomic policy. The difficulty here is that, however desirable a strong recovery in the Japanese economy would be, such things cannot be secured to order. The Japanese government's announcement this week of agreement on a Y15,250bn (£95bn) stimulatory package of tax cuts, increased spending and loans should help. But the US is entitled to be cynical about the effectiveness of such packages, since this is already the fourth one since August 1992. It is questionable, for example, whether Japanese consumers will start spending in response to a tax reduction in effect for just one year

If Mr Clinton needs to recognise the limits on what he can hope to obtain over macroeconomic stimulation, how much more is this true of trade policy. In the former area at least, he is trying to push the Japanese in the right direction. In the latter he is doing the opposite.

Why would the quantitative indicators sought by the US be such a dire error? One reason is that an indicator is bound to become a binding target, as has been demonstrated only this week by the hostile reaction of US industrialists to a decline in the foreign share of the Japanese semiconductor market to 18.1 per cent, less than two percentage points below the agreed level. How could the reaction be otherwise, when it is suspicion of Japan that justifies these indicators in the first place? Given the suspicions, failure to achieve any indicator will be taken as proof not of the difficulties, but of bad faith.

The very act of acceptance by the Japanese government implies agreement that it does control industry. But it also represents a commitment to increase that control. Every failure to achieve a target would then be condemned as malfeasance and every success as proof that the government does have the means to deliver on such targets. Either way, the result would be both more quantitative targets and more rigid administration of existing ones. Since the European Union and other partners would join in, pretty soon Japan would be as cartelised as its critics already say it is. What is more, these demands will inevitably spread to other bilateral trade relationships.

Mr Hosokawa must say no, because the alternative would be dreadful. Saying no could well have horrible consequences too, particularly if Mr Clinton cannot be persuaded to take on the Japan-bashers in Congress. The outcome could even include a spate of Congressionally-mandated actions against Japan. Japan's only possible response would be to make this debate multilateral, which is what it should have been all along. However difficult it may be for Mr Hosokawa, what the world now needs from Japan is imagination and determination.

Banks on notice

Britain's high street banks claim that they compete with each other fiercely to provide a high standard of service on their personal accounts. Yet the customers of banks which deduct money from accounts without warning, which pass on customers' details to insurance subsidiaries without written permission, or which cannot transfer cash across borders quickly and cheaply may question whether competition exists at all.

They are not alone. Sir Bryan Carsberg, director general of fair trading, has warned banks and building societies that he intends to press for higher standards of consumer protection. He says he is very disappointed by the minimum standards that banks have agreed in their revised code of practice.

This voluntary code was agreed by banks and societies after an earlier study concluded that the government should bring in a statutory code if banks failed to raise standards. The code has now been reviewed in the light of widespread complaints about banks in the first two years of its existence.

Banks are going to have to do a lot better by the time the code is revised again three years hence if they are to banish calls for legislation. Far from treating the code as a set of minimum standards, some have quibbled with the clear intent of parts of the code in an effort to dilute their effect.

Despite their rhetoric about competition, banks know that personal customers tend to stick with their accounts even if they grumble. It is troublesome to switch accounts, and few customers believe that other banks will provide significantly better service even if they do so.

The code should not be a substitute for competition among banks, nor take on the overtone of legislation. This would be the effect of Sir Bryan's call for the code to be re-written to include the requirement of the Financial Services Act that those selling life insurance give "best advice".

Yet banks would be wise to recognise just how unpopular they are. Some have raised standards in the past two years, but they are starting from a low base compared to sectors such as retailing and, if anything, are being outstripped by a rise in consumer expectations.

Improvements in technology and strengthened capital present banks with an excellent chance to achieve a step change in standards. They must now deliver.

Dumping

Having congratulated itself on the outcome of the Uruguay Round trade negotiations, the European Union now seems bent on thwarting by the back door the liberalisation it is intended to promote. That door has been opened by the decision of the Council of Ministers this week to make anti-dumping duties subject to approval by a simple majority of member states, instead of by a qualified majority vote.

The change threatens to make it even easier for the EU to wield a protectionist weapon which it has deployed with frequency in the past decade. All the more so since Brussels plans to double its anti-dumping staff and speed up the handling of cases.

Recent history does not inspire confidence that the new powers will be exercised wisely. Brussels' anti-dumping procedures are so obscure, arbitrary and elastic that they can be used to find that almost any third country exporter is guilty of "unfair" price competition and punished accordingly. The result is huge costs to EU consumers – £1.3bn annually for consumer electronics products alone, according to Britain's National Consumer Council.

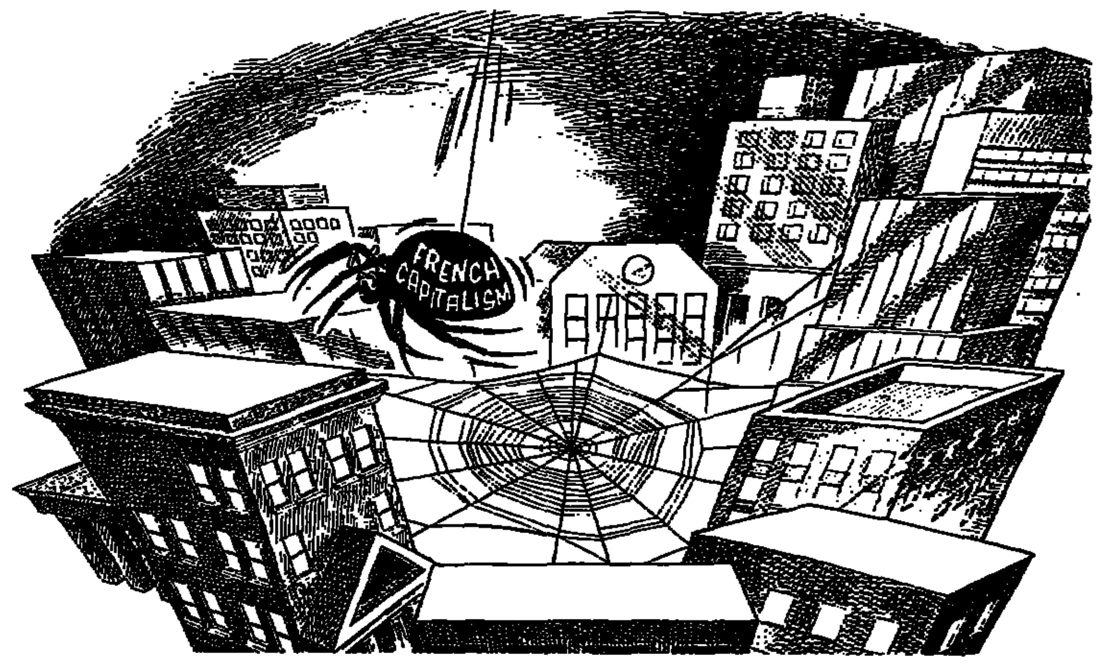
The change in voting rules is unlikely to be revoked, since it was an explicit condition of France's acceptance of the Uruguay Round package. In the short-term, the best hope that it will not be abused is that Sir Leon Brittan, the liberal-minded trade commissioner, will exercise restraint in proposing anti-dumping actions. However, he may not remain in his job after this year. Much stronger institutional safeguards and greater transparency are needed.

Brussels has gone some way by separating investigations of alleged dumping and injury, providing more information to consumers and allowing for speedier judicial review. It needs to go further. Management of the anti-dumping division needs to be tightened. In addition, all proposed actions should be analysed by the Commission's economic and competition directorates. These analyses should be published, along with the division's own arguments and calculations.

Such measures would not guarantee fairness and impartiality. But they should enable consumers, both businesses and individuals, to gauge the price they were being asked to pay – and require governments to justify it publicly.

Hard core or soft centre

John Ridding examines the role of extensive cross-shareholdings in French industry



Like a spider spinning an intricate web, France's privatisation programme is forging a series of links between some of the country's most powerful financial and industrial companies. The group of long-term shareholders in Elf Aquitaine, the oil company in the final stages of privatisation, is a case in point. Union des Assurances de Paris, France's biggest insurer, Banque Nationale de Paris, one of the biggest banks, and Renault, the automobile group, are among those that will hold a combined 10 per cent of the oil group's shares and form a core of stable investors, dubbed a *noyau dur*.

Elf should return the favour in several state sell-offs. It has already stumped up almost FFr1bn (£110m) to become part of the *noyau dur* of BNP. Renault and UAP are also likely to find the oil group near the top of their share registers when they step up to the auction block later this year.

Cross-shareholdings and *noyaux durs* are already common between French financial and industrial groups. But the government's plan to privatise 21 of the country's largest companies, with a market value of more than FFr300bn, creates the potential for a substantial expansion of the system. In so doing, it raises several important questions, from the motives behind the expanding web of cross-shareholdings, to its strength and efficiency. The answers will help determine how French capitalism evolves from its current position between the German and Japanese models – of substantial equity and management links between industry, banks and insurance companies – and the liberal, market-based model of Anglo-Saxon economies.

There is a broad consensus on the reasons behind the rise of the *noyaux durs* and their role in the current round of privatisations. "The system is designed to provide a minimum of stability and protection for companies moving into the private sector," says Mr Jean-René Fourtou, chairman of Rhône Poulenc, the chemicals and pharmaceuticals group which was privatised at the end of last year.

In the absence of powerful institutional investors, the duty falls to banks, insurance companies and industrial groups. "We have no heavy investors, such as pension funds," says Mr Elie Cohen, head of research at CNRS, the economic and social research centre in Paris. "So we had to invent something, and we invented cross-shareholdings. It is the problem of developing capitalism without capital." The weakness of pension funds is a result of France's concentration on pay-as-you-earn contributions which provide benefits for retired employees.

There is less agreement, however, on the merits of the *noyau dur* system. "This kind of set-up grates with some international investors," says one US fund manager. "By reducing the discipline of the market, and maybe the threat of takeover, it raises the risk of inefficiencies creeping into a company." Such concerns, however, have not prevented US investors participating strongly in the three privatisations undertaken so far.

Mr François Morin, director of Lerep, the economic and industrial research centre, criticises the blurred responsibility of company directors. "Is their responsibility to their partners in their cross-shareholdings or to all shareholders?" he asks. For Mr Cohen, there is the additional problem of the efficiency of the allocation of financial resources. "It is clearly not the best system for an industrial company like Rhône Poulenc or St Gobain to spend scarce capital on buying a stake in a bank," he says. "They should be investing in their core businesses."

Not surprisingly, the government's political opponents go further. Mr Laurent Fabius, the former Socialist prime minister, last week attacked what he described as "armchair capitalism" in which appointees of the centre-right government of Mr Edouard Balladur, such as Mr Jacques Friedmann, chairman of UAP, were forming a club of financial and industrial companies.

"The heads of the companies being privatised are each on the boards of the other, they exchange capital and are all close to the prime minister," said Mr Fabius. "This poses a problem to the development of French industry."

Industrialists accept that there are drawbacks to the system, including the diversion of capital from their core activities. But they argue that the powers of the *noyaux durs* are relatively limited, and reject the notion that cross-shareholdings create inefficiencies by providing protection. "What would be the reaction of my so-called friends if they were offered four times the market price for Rhône Poulenc shares?" asks Mr Fourtou, rhetorically. "A group of core shareholders is no guarantee of security," says Mr Marc Vienot, chairman of Société Générale, one of France's largest banks.

For Mr Vienot and many others within the world of French finance and industry, the power and the permanence of the *noyau dur* and the pattern of cross-shareholdings is overstated. "Our core shareholders do not play a significant role in the strategy of the group. They regard it as more of a financial investment and I would expect some of them to leave or reduce their shareholdings over the next few years," says one chief executive.

In the case of privatisation issues, core investors are usually subject to a commitment to hold the majority of their shares for a set period, often about 18 months. Within that period they can sell shares to other core investors who also retain a pre-emption right on *noyau dur* share sales for the next few years. "It is not a very serious or permanent constraint in the grand order of things," says one French merchant banker, who adds that the large number of core investors, and the relatively small level of their stakes, limits their influence.

There are advocates of a shift towards a German-style system of more powerful ties between banks and industrial companies cemented by substantial shareholdings. Mr Michel Albert, for example, former chairman of the AGF insurance group and now a member of the Bank of France monetary policy committee, argues such a system allows companies to develop long-term strategies, secure from the short-term pressures of the market.

There are also practical examples. Crédit Lyonnais took stakes of between 10 and 20 per cent in a number of groups including Pinault-Printemps, the retail company, and Usinor-Sacilor, the steel group. "Crédit Lyonnais under Jean Yves Haberer [its chairman until last December] was trying to be a sort of French Deutsche Bank," says Mr Cohen.

Few other banks have sought to copy its strategy. Instead, many industrialists see an evolution, albeit gradual, towards a more Anglo-Saxon model. "It is true that the lack of big institutional investors has pushed the system towards one of cross-participations between the main industrial and financial actors as in Japan or Germany," says Mr Fourtou of Rhône Poulenc. "But I don't see it as a permanent arrangement because French industrial solidarity is not so strong."

"My desire is that the system of *noyau dur* is a system of transition and that we move towards the Anglo-Saxon model," says Mr Vienot of Société Générale. The German system has its weaknesses, he says, pointing to last month's near-collapse of Metallgesellschaft, the metals group, despite the presence of several of Germany's biggest banks and financial companies on its board.

Whether Mr Vienot's desire is satisfied will depend in particular on the development of French pension funds and the expansion of long-term savings. Both processes are under way. Faced with a state pension system with a deficit of almost FFr20bn and approaching breaking point, Mr Edmond Alphandéry, the economy minister, is preparing a draft bill on pension reform to be presented to parliament this spring. Tax incentives for money market savings funds have already been reduced in favour of longer-term deposits.

Creating pension funds will, however, take time. "It will happen, but not overnight," says Mr Didier Cherpitel, managing director of J. P. Morgan, the US bank, in Paris. Most industry observers estimate it could take 15 to 20 years to build pension funds capable of playing a substantial role in industrial investment and able to alleviate the need for cross-shareholdings.

Why Russia is not a special case

PERSONAL VIEW

One of the most curious assumptions about developments in Russia is that we from the outside can somehow steer them in the right direction by an appropriate choice of actions. It expresses itself in the belief that the "west" has more power and influence than do Russians themselves in moulding the Russian destiny. The search for those outside Russia who might be accountable for the debacle has been intense, particularly in the wake of the setbacks to reform caused by the resignations of Mr Gaidar and Mr Fyodorov.

Some observers blame the undoubtedly careless comment by the US ambassador at large to the former Soviet Union, Mr Strobe Talbott, last year that there has been too much shock and too little therapy. This was obviously untrue. A striking feature about the past two years of Russian policy is how little shock there has been.

The response of one of the foreign advisers responsible for advising the Russian Federation to follow the shock course was even more curious. Harvard Economics Professor Jeffrey Sachs has repeatedly denounced the international community – the G7, the World Bank, and, in particular, the International Monetary Fund – for failing to cushion the shock of the transition to the market with sufficient support measures. He says international institutions should have taken a bold gamble and supported with very large transfers of resources those few people (Mr Sachs's friends) who promised that they could see how Russia might be changed. According to him, almost every successful stabilisation effort in the past has relied on generous foreign support.

Sachs's favourite example of a successful foreign-supported stabilisation is the aftermath of the German hyper-inflation of the early 1920s. It was at the time often called the "miracle of the Mark". A reforming new central bank president, Hjalmar Schacht, broke with the old conservatives, and introduced a new and stable currency. A few months after his currency stabilisation, Germany was supported through a major international loan, the Dawes Loan (of 1924); and foreign central banks gave considerable help with short term measures to ensure the stability of the new Mark on the foreign exchanges. Meanwhile, the government followed an austerity course which was bitterly unpopular and found very little domestic support. The only way that it could be sold politically to a sceptical and disenchanted German electorate was as the inevitable price to be paid for foreign assistance, and for the prospect of the inflow of foreign credits. As long as these credits flowed, Germany managed a precarious stability. Once something went wrong, though, ever larger numbers of people believed the foreign contribution to the stabilisation to be the source of their misfortunes. They began to vote in large numbers for the National Socialist Party, and the democratic order collapsed.

A striking feature about the past two years of Russian policy is how little shock there has been

Too much effort had been expended on devising complicated schemes to help Germany and imposing them from the outside, and not enough with building domestic consensus about reform. One of the perpetual dilemmas of an operation mounted as an obvious aid mission is that it leads to suspicions of political manipulation. The realistic way to avoid such suspicions is to de-politicise assistance as far as possible. One of the most important conceptual contributions of the Bretton Woods conference (which created the World Bank and the IMF) was the idea of equal and uniform treatment of all members of a new financial order. It was intended to avoid the excessive politicisation of 1920s international rescue operations – all of which failed in the long run. There would be no "favourites" or "darlings", but a community of states which would support each other in times of difficulty through a regulated institutional mechanism.

Such an approach created a series of incentives for compliance, and for opening to the world economy, and for the creation of prosperity, growth and stability, that were not merely political bribes or hand-outs. It also always emphasised the need for adequate domestic support, and for avoiding the impression of a course imposed from the outside.

If we put our trust too blindly in a few specific individuals, rather than in an institutionally anchored and broadly supported reform exercise, we are almost bound to be disappointed. Perhaps we should remember that Sachs's favourite architect of the German economic stabilisation of the 1920s, Hjalmar Schacht, soon became Hitler's minister of economics and the "wizard" of National Socialist rearmament.

Harold James

The author is Professor of History at Princeton University, and author of The German Slump: Politics and Economics 1924-1936 (OUP)

OBSERVER

From Gotcha to Gandhi

■ He's taken tea with the Indian president; conversed with finance minister Manmohan Singh; brought chaos to Delhi's jammed roads; and posed for several front-page photos with his wife. Who he? Why, Rupert Murdoch, of course.

What brings him to town? Satellite TV seems to be the answer; with China out of bounds, India is his Star TV's biggest market. A ten-day private visit has seen him glad-hand a host of India's top movers and shakers.

But the Aussie-born media mogul has also rather over-shadowed the state visit of Czech president Vaclav Havel, who was in India to receive the Indira Gandhi Award for Peace, Development and Disarmament. Havel may be a head of state but the Indian media is more keen on tracking the man who gave the world such classic newspaper headlines as "Up Yours, Delors".

Still not every one was impressed. One paper wrote "Murdoch probably needs India more than India needs Murdoch". The length of Murdoch's stay suggests there may be some truth in this verdict.

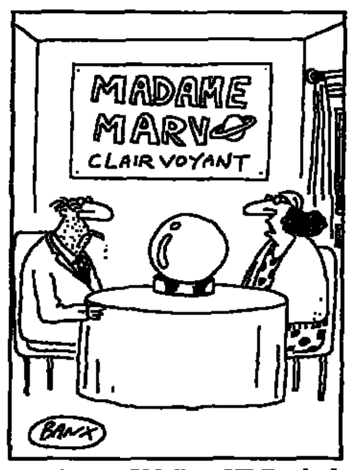
Front-bench etc

■ Ever since George Robertson was promoted from Labour spokesman on Europe to shadow secretary of state for Scotland, he's never seemed very happy with the promotion. Yesterday he returned to his old stamping-ground at the Royal Institute of International Affairs, where he spoke on "The decentralisation tide: the role of the nations and regions in Europe".

Recalling his most famous hour supervising Labour's contribution to the Maastricht debates, Robertson lamented that all he gets to deal with now is riveting stuff like the Local Government Etc (Scotland) Bill. "It's like Maastricht without the laughs," he glumly acknowledged.

Try harder

■ Let's hope John Major has brushed up on his rugby history before he meets Irish prime minister Albert Reynolds on the day of the England v Ireland match later this month. Last December, after unveiling the Downing Street Declaration, Britain's prime minister waxed lyrical to MPs about the joys of watching Northern Ireland play rugby against the Republic during the five nations championship. As every schoolboy knows, one of the very few bits of the Emerald Isle which is united is its rugby union team.



'You're the fifth Tory MP I've had this morning'

Bond – the sequel

■ Prozac the wonder drug – it's said by some users to induce a sense of well-being – is being given lots of free PR in Australia at the moment, thanks to Alan Bond, the Australian tycoon whose fortunes have recently withered somewhat.

Bond has been admitted to a Perth hospital, apparently suffering from depression; part of his treatment is Prozac. His lawyers successfully applied for an adjournment of a court hearing to decide whether he is fit to give evidence at a bankruptcy examination on March 21. The fitness hearing has been adjourned to March 14, when further psychiatric evidence is likely to be presented.

A psychiatrist employed by Bond's lawyers said that he "cries more often than previously" and "repeatedly feels that he is unable to go on". Bond's appearance is said to be "consistent with patients with severe depression".

It adds that "he appears ... to have difficulty in recalling even people he appears to know well".

Tycoon tactics

■ The after-shocks of the collapse of the Maxwell empire are still being felt.

Bishopsgate Investment Trust, Maxwell's one-time investment company – now languishing in administration – has just sold a third of its 3.5 per cent stake in Newspaper Publishing to Dr Tony O'Reilly, the Irish tycoon who has serious designs on the Independent, as did Cap'n Bob at one stage.

Ironically, the sale may have helped scupper a rival offer from a consortium led by none other than Maxwell's vanity publisher, Mirror Group Newspapers.

Green Greek

■ No sniggering, please. Yannis Paleokrassas, the new EC environment commissioner, tonight lectures the London School of Economics on "Environmental crime and punishment".

Big subject, pity about the speaker.

Paleokrassas, a former Greek finance minister and economist, tends to get the jobs no one else wants. He carried the can for not taking the tough decisions which might have prevented the Greek economy getting into its current mess.

Now he is in charge of a European environment policy which is not only far too ambitious but is not fully enforced on poorer countries – such as Greece.

Given that he doesn't share the same politics as the current Greek government, it's most unlikely that he will be re-appointed as Europe's environment supremo when his term expires at the end of the year. Maybe that explains the persistent rumour that he's thinking of quitting and standing as a Euro MP for Greece's New Democracy party.

It all adds to the general impression, among environmentalists at least, that for the next year or so Europe's environmental criminals are likely to go largely unpunished.

Belgian yawn

■ In terms of news value, the latest press release from the Belgian-based direct marketing Montreux Symposium is a humdinger. "No Montreux Symposium This Year" it reads – thanks to lack of interest.

"We'll be back," promises Erik Van Vooren, the symposium's president. Can't wait.

FINANCIAL TIMES
Thursday February 10 1994

Britain may win bigger share of production work

UK may increase order for Eurofighter aircraft

By Rachel Johnson, in London

The UK Ministry of Defence is *considering increasing its order* for 250 Eurofighter 2000 combat aircraft in a move that could win the UK a greater share of the production stage of the £32bn ($48bn) project, a parliamentary committee heard yesterday.

Ministry officials also outlined proposals to replace the "whole range" of frontline Royal Air Force aircraft - including the Harrier jump jet and the Tornado bomber - with the multipurpose fighter.

Giving evidence to the parliamentary defence select committee, *officials* also revealed that the cost to the UK of developing the Eurofighter, a joint project between Britain, Germany, Italy and *Spain*, had *risen* by *another* £450m to £3.4bn - exactly double the £1.7bn cost estimate for full development given in 1988.

Mr Jack Gordon, the ministry's director-general of aircraft, said that the Eurofighter - which is running two years behind schedule - *was on course for a maiden* flight in April. Tests and simulated combat modelling had shown that the fighter could outperform all western or Soviet aircraft except the American F-22 manufactured by Lockheed. "It is capable of replacing the whole suite of frontline RAF aircraft," he said.

Expanding the UK *order above* 250 is likely to spark intense negotiations between countries over the sharing-out of the production stage of the project.

The "workshare" quotas of the production stage of the fighter, which starts next year, will be allocated according to the number of aircraft each country *orders. As 600 aircraft are* planned for production, a UK order in excess of 250 will give the UK strong grounds for arguing that it should receive more than 40 per cent of the work.

"Clearly the more aircraft there are, the more good news for *all the partners. The more planes* for the RAF, the more work for British industry," said British Aerospace, which owns 33 per cent of the Eurofighter consortium.

Germany, whose Daimler-Benz also owns 33 per cent, has said it will order 140 - but is likely to contest any division which hands *the lion's share of the project* work to the UK. In 1992 Germany insisted on cost reductions and specification changes as its price for keeping the project afloat.

A senior RAF officer said the prospect of the the *RAF* becoming a one-aircraft force was not welcome, but recognised that this *could be imposed* "well into the next century". It would be preferable to replace the Tornado with a specialist bomber and the Harrier with a specialist jet.

Norway optimistic on meeting EU entry deadline

By Hugh Carnegy and Karen Fossli in Oslo

Norway could complete its negotiations for entry to the European Union by the deadline of next month and go on to win approval from *the electorate* in a referendum in the autumn or early winter, the country's new *new foreign minister*, Mr Bjorn Tore Godal, said yesterday.

His assessment, in an interview with the Financial Times, was the most optimistic to date from a country usually seen as the most difficult case in the EU *enlargement talks, which also* include Austria, Finland and Sweden.

It came despite what Mr Godal acknowledged were "disappointing" positions taken by the EU this week on the issues of regional and agricultural aid and the prospect of further hard negotiations on fisheries policy.

Mr Godal, who *took* over as foreign minister last month, said he did not underestimate the *problems but they could be over*come given "a sufficient degree of creativity" from both sides.

"I think we have strong political will in the [EU] council of ministers; we have strong political will on the part of the applicant governments. There is a political momentum now in the whole procedure which could favour a solution to the remaining problems by early March."

In that case, a referendum was likely *in "autumn or early win*ter", he said. He was encouraged by a recent increase in public support for membership.

"It is modest, but it is followed by an even larger decrease on the No side. So, with a good negotiated result, and with the likelihood of Swedish and Finnish entry and the further activation of the political arguments [in favour] I foresee a Yes majority. It won't be easy, but we are *closer to that than people nor*mally imagine, both in Europe and at home."

However, Mr Godal, who was previously directly in charge of the EU negotiations as trade minister, made clear he expected the onus of compromise needed to conclude an accession agreement to fall on the EU side.

Norway is demanding that Nordic agriculture be treated permanently as a special case and *wants a transition period for* adjustment of its high farm subsidies to EU levels. It is refusing to allow Union access to its fisheries beyond quotas already agreed under the European Economic Area accord and wants to continue to manage independently fish stocks in its northernmost waters.

But Mr Godal said his country's agriculture and fisheries were "peanuts in the broader European context". Norway would be a net contributor to the EU.

Trade talks

Continued from *Page 1*

sought protection from Japanese imports, such as Chrysler.

Memories of past highly touted but ultimately ineffectual bilateral trade pacts with Japan will overlay the proceedings. The US has now endured 28 straight years of merchandise trade deficits with Japan. *In Congress, the* administration has support for a tough stand from both parties.

However, a group of moderate House Republicans has issued a paper, by Congressman Jim Kolbe, attacking results-oriented trade as "trade by the numbers". They want Tokyo to "lay out a clear schedule for sweeping deregulation and economic structural harmonisation".

Mr Hosokawa will be able to brief Mr Clinton on a Y15,250bn ($140bn) economic stimulus package and a draft budget for 1994 *due to be unveiled today. Some* in Washington believe the reformist agenda of Mr Hosokawa offers the prospect of long-term gains for US business.

Nato threat

Continued from *Page 1*

session. "It is time to act," he said. "We have had enough words."

Canadian reservations about language which looked like an ultimatum were shared to varying degrees by Portugal and Spain. Greece, an ally of Serbia, *also argued for a 48-hour delay* to give the Bosnian Serbs a "last chance" to show their good faith and pull back from Sarajevo.

Behind these objections lay a concern that rash military action could jeopardise humanitarian aid in Bosnia and wreck lingering hopes of a peace settlement.

Britain launches fresh talks with Ulster parties

By David Owen in London

The British government last night launched a fresh round of *meetings with Ulster politicians* in a move signalling London's determination to maintain the initiative in efforts to bring peace to Northern Ireland.

Sir Patrick Mayhew, the Northern Ireland secretary, was expected to use a meeting with Mr James Molyneaux, leader of the Ulster Unionist party, to set out ideas for a political settlement between Ulster's constitutional parties, as he promised earlier *this month.*

It was also thought he might try to persuade the UUP to postpone publication of its own proposals - understood to involve little more than the establishment of devolved government in Northern Ireland - until after the party conference later this month of Sinn Féin, the political wing of the Irish Republican Army.

London and Dublin are anxious to deprive Republican leaders of any excuse in the run-up to this conference for rejecting December's Downing Street Declaration by the British and Irish governments.

President Bill Clinton yesterday reiterated his "full support" *for the joint declaration* and the efforts "in that context" of the British and Irish prime ministers, when he touched briefly on Northern Ireland during a 30-minute telephone conversation with Mr John Major.

The conversation coincided with news that Mr Gerry Adams, Sinn Fein president, is to be invited to make a second visit to the US to head a St Patrick's Day parade through San Francisco. A *recent 48-hour trip by Mr Adams* to New York sparked intense controversy and caused friction in UK-US relations.

Last night's meeting between Sir Patrick and Mr Molyneaux came as it emerged that plans to set up a Northern Ireland select committee at Westminster are being slowed by inter-party squabbling over the body's composition.

Labour - currently waging a *procedural war against the gov*ernment - is adopting a hard line in pressing for four of its MPs to be represented on a 13-member committee and for one to serve as chairman. The government wants the number of Labour MPs restricted to two.

The bilateral talks with the province's constitutional parties are to continue later this week with a meeting between Sir Patrick and Dr John Alderdice, leader of the *non-sectarian* Alliance party. A date has yet to be fixed for a meeting with Mr John Hume, leader of the mainly Catholic Social Democratic and Labour party. The hardline Democratic Unionists are continuing to boycott the talks process.

Both leading unionist parties were irritated by Sir Patrick's decision to provide Dublin with details of the ideas he wants pursued before them.

Amnesty report rejected, Page 10
Observer, Page 15

THE LEX COLUMN

Abbey's frugal life

Some Abbey Life shareholders thought they got a poor deal when Lloyds Bank injected five financial services businesses into it in 1988 in return for a 58 per cent stake. They may think again after studying the company's 1993 results. The sharp rebound in Lloyds Abbey's non-insurance businesses generated enough distributable profits to justify a 4 per cent dividend increase after four years of flat pay-outs. Lloyds Abbey now promises a progressive dividend policy. It may even be able to lift its dividend faster than the market average over *the next few years.*

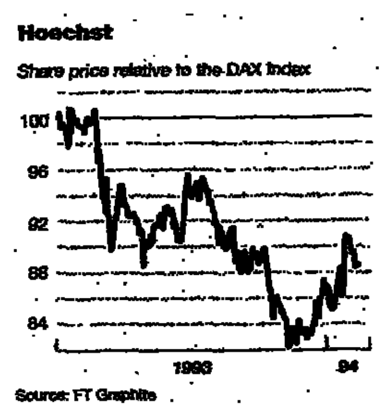
Lloyds Bowmaker has achieved a sharp fall in bad debt provisions as the rate of house repossessions has slowed, enabling profits to climb from £16m to £38m. Even Black Horse estate agencies have substantially reduced losses. The marginal growth these businesses provide is vital given the uninspiring *outlook* for the life *business. The dividend yield of* more than 5 per cent will provide the company's mainstay considering the group's earnings prospects are so dull.

Low inflation and the regulatory clamp imposed on life companies have seriously undermined the sector's appeal - although Lloyds Abbey's powerful distribution arm gives it greater opportunities than most. The company has also felt obliged to swallow an unspecified provision against *inappropriate pension transfers.* Unfortunately, Lloyds Abbey was not prepared to share its assumptions with its shareholders. Until the Securities and Investments Board has concluded its investigations, the market will therefore fear the worst - even though the financial damage seems likely to prove slight.

FT-SE Index: 3429.1 (-11.1)

Hoechst

Share price relative to the DAX Index



Source: FT Graphite

Hoechst

If it does decide to spin its fibres *business off into a separate subsidiary,* Hoechst will be following a road already taken by a number of its competitors, most recently Bayer. The idea is far less radical than the split in ICI which gave birth to Zeneca, or the creation of Courtaulds Textiles as a separate company from Courtaulds. It is an indication of the depth of concern about German manufacturing costs just the same. Fast growing competition from Asia makes that concern particularly acute in the fibres *sector.*

By making its fibres division a separate legal entity, Hoechst might be able to pay its employees at rates prevailing in textiles rather than the chemical industry. The chances are *that its workforce would accept this* rather than face redundancy. The creation of separate entities may also make it easier to establish joint ventures with other companies which have established a similar structure. The consequent reorganisation might mitigate the effect of Asian competition. It is unlikely to be a panacea.

Hoechst has set up joint ventures in other sectors such as that in agrochemicals with Schering last year. But it has been slower than Bayer or BASF to cut jobs in the recession. Healthcare reform in Germany and Italy has blighted the outlook for pharmaceuticals. Earnings are now only around a fifth of their peak in 1989 and the company has warned that the dividend is likely to be cut for a second time this year. Perhaps Mr Jürgen Dormann will shake up Hoechst's cumbersome structure when *he takes* over as management board chairman in May. Some more restructuring would help while Hoechst waits to be rescued by the cycle.

Nuclear electricity

Would-be nuclear entrepreneurs must be chewing their fingernails as they wait for the government's much-delayed review of the industry. At one extreme, the review could result in nuclear power being *allowed* to wither away. Still, Nuclear Electric seems happy enough and is arguing strongly *for privatisation. After the debacle of* 1989, its renewed ambition to be privatised seems more than a little fanciful.

Solid progress has, however, been made since the plug was pulled on nuclear *privatisation. Productivity* has improved, due in large part to the more reliable operation of the stations. *Generating* costs are now much closer to those of gas or cleaned-up coal plant. At least as importantly, progress has been made in identifying the scale of the decommissioning costs which so scared the City last time. There are still substantial uncertainties which need to be *cleared* up. A second bungled attempt to get into the private sector might well be fatal. *Issues* such as the allocation of liabilities, fixed price fuel and reprocessing contracts, the option to store spent fuel and caps on disaster risk would need to be sorted out.

If these could be satisfactorily resolved, it is at least conceivable that part of the *existing industry could be* sold. It is less certain that such a privatised industry could carry the risks of building a £3bn new station over 10 years. For that, shareholders would require equity returns which Nuclear Electric would be hard-pressed to offer. Bankers might also demand some guarantee about the end market for the electricity. But that is not likely to be, given any government being sufficiently market-oriented to privatise the industry in the first place.

Ford

As a proxy for economic statistics, Ford's figures would serve tolerably well. Strength in the growing US domestic market is offset by weakness in depressed Europe. Market share gains in the US result in part from pressure on Japanese imports as the yen has risen. The strong performance of the finance subsidiary shows how *alternative forms of financing* - particularly leasing - are displacing traditional methods. With many of its models *selling* well, the company would seem merely to have to wait for recovery in Europe to fire on all cylinders.

There are, however, problems. The company restructured for leaner production in the 1980s, but new model development is still more expensive than that of its rivals. Its product mix is also biased towards low margin general cars and away from higher margin trucks and *specialist* sectors such as four-wheel drive sport vehicles. In the face of the Japanese challenge, the rejuvenation of Detroit has begun. But Mr Alex Trotman, Ford's new chairman, still has much to do.

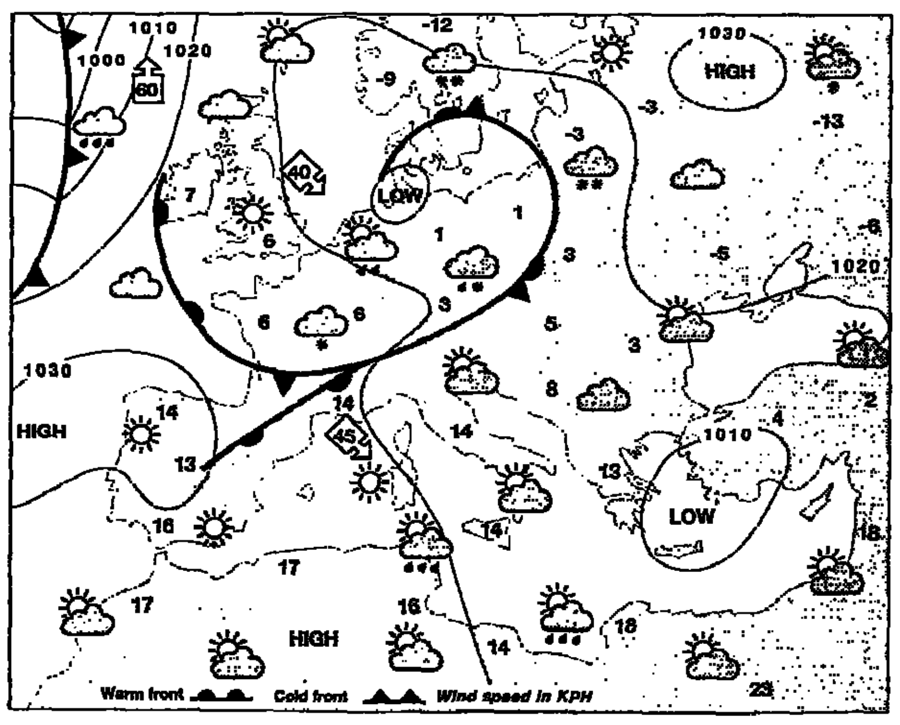
FT WEATHER GUIDE

Europe today

The eastern Mediterranean will remain unsettled and cool with widespread showers. Portugal, Spain and northern Italy will be sunny, while southern Italy will have showers. France will have rain and the *Mistral will become gale force in the Rhone* valley. The Benelux countries and northern Germany will have sun, showers, and hail. The UK will be fair with morning fog. Ireland will become cloudy and windy with rain in the afternoon and evening. Eastern Europe. will remain cloudy. Many areas will have light snow. *Russia* and Scandinavia will remain bitterly cold with temperatures from -30C to -10C.

Five-day forecast

Western Europe will be wintry following a surge of cold air, with night temperatures dipping to -5C. Afternoon temperatures will be around freezing. Northern and eastern Europe will remain very cold with light snow. The UK will stay mild and unsettled. Portugal and Spain will have sun with temperatures up to 19C along the east coast. Southern Italy and Greece will remain unsettled with showers and sun.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius																
			Belfast	cloudy	5	Cardiff	fair	5	Frankfurt	rain	5	Malta	shower	15	Rio	shower	28
			Belgrade	fair	8	Chicago	fair	-8	Geneva	rain	6	Manchester	hazy	7	Riyadh	sun	24
Abu Dhabi	sun	23	Berlin	sleet	3	Cologne	rain	6	Gibraltar	sun	17	Manila	fair	33	Rome	fair	14
Accra	fair	33	Bermuda	fair	24	D' Salaam	sun	31	Glasgow	fair	5	Melbourne	cloudy	20	S. Frsco	fair	14
Algiers	fair	17	Bogota	cloudy	20	Dakar	sun	29	Hamburg	rain	4	Mexico City	sun	22	Seoul	fair	3
Amsterdam	shower	8	Bombay	sun	31	Dallas	fair	8	Helsinki	cloudy	-10	Miami	fair	30	Singapore	cloudy	31
Athens	shower	9	Brussels	shower	8	Delhi	fair	23	Hong Kong	cloudy	26	Milan	hazy	10	Stockholm	snow	-5
B. Aires	fair	23	Budapest	fair	5	Dubai	sun	24	Honolulu	cloudy	26	Montreal	fair	-16	Strasbourg	cloudy	8
B.ham	fair	7	C.hagen	sleet	1	Dublin	fair	6	Istanbul	fair	6	Moscow	fair	-15	Sydney	fair	30
Bangkok	fair	34	Cairo	fair	20	Dubrovnik	fair	12	Jersey	fair	7	Munich	sleet	3	Tangier	sun	17
Barcelona	fair	15	Cape Town	sun	25	Edinburgh	fair	8	Karachi	sun	30	Nairobi	fair	30	Tel Aviv	fair	19
Beijing	sun	3	Caracas	cloudy	27	Faro	sun	17	Kuwait	sun	18	Naples	fair	13	Tokyo	shower	8
									L. Angeles	fair	17	Nassau	fair	26	Toronto	fair	-14
									Las Palmas	fair	22	New York	sun	-4	Tunis	shower	14
									Lima	cloudy	27	Nice	windy	14	Vancouver	shower	5
									Lisbon	sun	16	Nicosia	shower	16	Venice	fair	9
									London	fair	8	Oslo	cloudy	-2	Vienna	shower	3
									Lux.bourg	shower	6	Paris	fair	6	Warsaw	cloudy	1
									Lyon	rain	6	Perth	fair	30	Washington	fair	-2
									Madeira	fair	19	Prague	sleet	2	Wellington	fair	23
									Madrid	sun	13	Rangoon	sun	34	Winnipeg	cloudy	-15
									Majorca	fair	16	Reykjavik	windy	5	Zurich	rain	8

FINANCIAL TIMES
COMPANIES & MARKETS

Thursday February 10 1994

IN BRIEF

Bitter taste of Crédit Lyonnais

A favourite topic of conversation among French financiers has been the precarious state of Crédit Lyonnais, by far the most controversial of France's banks. Recently their comments have adopted a rather bitter tone. Page 18

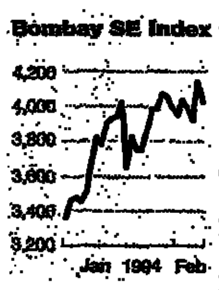
Showdown for Paramount
The $10bn, five-month takeover battle for entertainment group Paramount Communications may be within days of a final showdown. Page 20

SEC votes for new rules
The Securities and Exchange Commission voted to propose rules that would establish record-keeping and reporting requirements for brokerage firms operating automated stock trading systems in the US. Page 20

Banking on a Japanese answer
Japan's bureaucrats, scrambling for an ultimate Japanese Way to solve the bad loan problem of their country's banks, presented their answer this week. Page 19

Getting tougher in paints
Competition in the European market for painting cars during manufacture is likely to intensify following the German and Dutch authorities' approval last week of the sale of Akzo's share in the business to PPG, the US industrial coatings specialist. Page 21

India starts to shine



While the rest of Asia wobbled on Monday in reaction to the rise in US interest rates, India went in the opposite direction as some foreign investors decided to switch portfolios. Many emerging markets strategists favour the sub-continent as having the potential to show a strong performance in 1994. The country has good prospects helped in the main by stability in the political arena and an increase in exports. Back Page

Westland shares up on bid rejection
Shares in Westland climbed 7.5 per cent after the UK helicopter manufacturer formally rejected the hostile takeover launched by GKN, the UK engineering and industrial services group. Page 25

Privatisation trust at a preium
Shares in the Kleinwort European Privatisation Investment Trust, £380m oversubscribed in its public offer last week, in effect went to a small premium in the first day's trading.Page 24

Trifast at £31.7m
Trifast, the UK manufacturer and distributor of industrial fastings, will be capitalised at £31.7m ($47.55m) when it comes to the London market later this month. Page 24

Bayernwerk taps into energy market
The Treuhand privatisation agency has sold the remainder of eastern Germany's regional utilities to Bayernwerk, west Germany's third-largest electricity company. Page 21

Aetna in after-tax loss
Aetna, the US multiline insurer, racked up an after-tax loss of $366m. Page 20

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
Commerzbank	354.5	–	8.5
Deutsche Bk	801	–	13
Dresdner Bk	405.5	–	10
Porsche	818	–	14.5
Schering	1015.5	–	34.5
NEW YORK ($)			
Rises			
Alcoa	80½	+	1½
Allied Signal	79⅞	+	1½
Goodyear	45½	+	1
Microsoft	80	+	1¼
Texas Intruments	74⅝	+	1
Falls			
Ford	69⅝	–	⅝
PARIS (FFr)			
Rises			
Havas	469.7	+	10.9
Paribas	560	+	13
Union Immob Fr	758	+	24
Falls			
Chargeurs	1476	–	58
Thomson CSF	196.5	–	7.5
UFB Locabail	466	–	12
TOKYO (Yen)			
Rises			
Ihara Chem	805	+	35
Kasuga El Wk	405	+	30
Falls			
Fudo Constr	648	–	31
Fujitsu	1040	–	30
Nippon Express	1000	–	40
Nippon Yakin	450	–	38

New York prices at 12.30.

LONDON (Pence)			
Rises			
AIM	175	+	20
Adscene	315	+	25
Arjo Wiggins	296	+	12
Cropper (J)	417	+	13
GWR	940	+	32
Grosvenor Inns	176	+	7
Hozelock	286	+	11
Owners Abroad	120	+	20
Ramus	35	+	4
Reuters	2018	+	47
Savoy A	1052	+	24
Westland	330	+	23
Falls			
Comp Fin Sol	148	–	10
GKN	566	–	16
Lloyds Abbey	447	–	15
Rodime	43	–	3
Tex Hldgs	42	–	5
Wimpey (G)	230	–	11

Ford raises earnings to $719m

By Martin Dickson in New York

Ford Motor yesterday underscored the revival of US vehicle demand and its own market share gains by reporting fourth quarter earnings of $719m, compared to a loss of $840m in the same period of 1992.

Ford's European automotive operations, including Jaguar, the UK luxury car subsidiary, posted a slightly reduced net loss of $960m in 1993 – its third successive heavy annual loss. However, excluding Jaguar, the European operations "could be profitable" in 1994, the carmaker forecast.

Ford made $669m from its vehicle operations in the US, a $797m improvement on 1992, but that was partially offset by a $372m loss in its international operations. It lost $909m outside America in the fourth quarter of last year.

Its financial services group earned a record $422m, up from $197m a year ago.

The results were towards the top end of analysts' forecasts, but the shares dipped $⅝ in morning trading to $69⅝.

Detroit's Big Three motor manufacturers – General Motors, Ford and Chrysler – are all benefiting from a growth in North American demand and less intense competition from Japanese rivals, whose cars now cost significantly more in the American market than US ones.

Chrysler, which like Ford has been making strong market share gains, reported a sharp jump in fourth quarter profits last month. General Motors, with an essentially static market share, will report today.

Mr Alex Trottman, Ford's chairman, said the company was "in good shape for 1994. We have strong new products and we expect better economic conditions". But there remained a lot to do to increase efficiency.

Ford's fourth-quarter earnings worked through at $1.30 a share, compared with a $1.85 a share loss a year ago, when the group's European operations took $419m of restructuring charges. Sales and revenues rose from $25.4bn to $27.84bn.

The company had a one-time $73m gain in North America from the sale of its vehicle seating business, while overseas results were hit by a $109m restructuring charge at Jaguar and another of $57m in Australia. These were partially offset by a $59m reduction in German tax rates.

For the full year, Ford reported earnings of $2.5bn, or $4.55 a share, compared with a loss of $7.4bn, or $15.61 a share in 1992, which was due mainly to changes in accounting methods. Excluding accounting changes, it lost $502m, or $1.46 a share, in 1992.

Its automotive operations made $940m in 1993, compared with a $1.53bn loss the previous year, while financial services earned $1.59bn, up from $1.03bn.

Standard & Poor's cuts ratings, Page 21; Ford Europe trims loss, Page 21; Fear of Australian contraction, Page 21; Lex, Page 16

Total up despite fall in oil price

By John Ridding in Paris

Total, the French oil group, yesterday announced estimated net profits of FFr2.9bn ($480m) for last year, slightly above the FFr2.8bn achieved in 1992.

Mr Serge Tchuruk, group chairman, said the results demonstrated Total's resilience in the face of recession and the sharp fall in the oil price. The results included an exceptional inventory write-down of FFr800m to cover the decline in crude oil prices.

Excluding the inventory loss, operating income rose from FFr7.3bn to FFr7.6bn, while cash-flow increased to FFr11.3bn from FFr10bn. Sales remained stable at about FFr136bn. The effects of a capital increase in April last year, however, prompted a fall in earnings per share, from FFr13.8 to FFr13.2.

Total said it had continued to increase reserves and production, develop its gas activities, restructure specialty chemicals and extend its geographical base, while reducing its year-end debt to equity ratio from 31 to 25 per cent.

Mr Tchuruk highlighted projects in Indonesia and Colombia, which should help the company achieve its target of a 40 per cent increase in production, outside the Middle East, during this year and next.

In 1993, operating profits in the exploration and production division, which excludes the Middle East, fell from FFr2.9bn to FFr2.2bn. The main cause was the oil price. Brent crude averaged $17 per barrel last year, compared with $19.3 in 1992.

The trading and Middle East division increased profits from FFr600m to FFr700m, reflecting the low exposure of upstream margins to declining crude prices and an improvement in trading and shipping activities. Including the Middle East, the group's total oil and gas reserves rose from 3.95m barrels of oil equivalent to 4.07m barrels by the end of last year.

Operating profits in the refining and marketing division rose sharply from FFr2.1bn to FFr3.3bn, because of a slight recovery in refining margins and a strong improvement in US operations.

In the chemicals division, profits declined by 18 per cent to FFr1.4bn. Total said the fall reflected the impact of recession in Europe and the weak demand from the car industry for its coatings and paint products.

Shares in IMI close at 23% premium

By Haig Simonian in Milan

Shares in Istituto Mobiliare Italiano, the Italian financial services group privatised last week, opened at a 32 per cent premium on the first day of trading yesterday.

IMI's stock, which also made its debut in London and New York, closed at L13,430, marking a 23 per cent premium over the L10,900 offer price.

The heady performance will come as a boost to the Italian treasury, which is embarking on an ambitious privatisation programme. IMI is the second big public sell-off, after Credito Italiano last December. It will be followed by Banca Commerciale Italiana later this month.

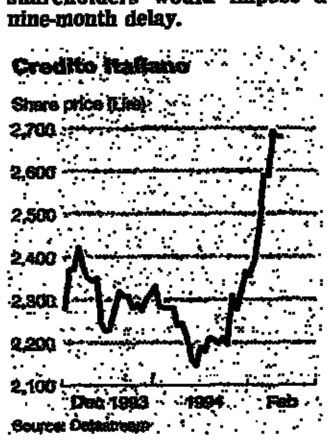
Mr Luigi Arcuti, IMI's chairman, acknowledged that the strong demand for the company's shares had exceeded even his most optimistic expectations.

By the end of the last week's offer period, closed early because of oversubscription, IMI received applications from almost 375,000 domestic retail investors for nearly 378m shares – more than five times the 75m on offer. Separately, more than 1,800 institutions applied for almost 1.6bn shares – almost 13 times the 125m available to them.

The demand means it will be easily Italy's biggest company, in terms of the number of shareholders, eclipsing the car group Fiat and Generali, Italy's biggest insurance concern.

To fulfil the unexpectedly strong retail demand, the treasury will redirect to the domestic offering 18.75m shares previously earmarked for institutional investors. The latter's original allocation will be maintained, however, by allocating shares held back to stabilise the market. As a result, the combined public sector stake in the bank will fall to about 25 per cent from more than 60 per cent.

Mr Mario Draghi, the director-general of the treasury, confirmed that the state's remaining shares would also be sold but pointed out that the agreement with other pre-privatisation shareholders would impose a nine-month delay.



Daniel Green and David Waller explain why pressure has mounted for a reorganisation of Europe's fibres sector

Another victim of the fall-out in chemicals

Reorganisations are beautiful. Or so the giants of Germany's chemicals industry seem to think.

If Hoechst goes ahead and puts its huge synthetic fibres operation into a separate legal entity, it would be only the latest in a series of moves that are splintering the chemical empires of continental Europe.

These empires span fibres, bulk and speciality chemicals, pharmaceuticals and agriculture. Once the backbone of a huge manufacturing sector, the 1990s have seen sales and profits fall sharply under the weight of overcapacity, recession, imports from eastern Europe and high wage costs – aggravated by social policies and strong currencies.

Germany has proved especially vulnerable because of the strong D-Mark and rigid labour laws. The German Chemical Employers Federation, the BAVC, says that chemical industry wage costs rose by 42 per cent between 1984 and 1992 in western Germany. In the UK they gained 18 per cent, while in the US they fell by 31 per cent.

Two of Germany's big three chemicals companies, Hoechst and Bayer, have the highest payroll costs as a percentage of sales of any large continental European chemicals company, according to figures from Paribas Capital Markets, the securities house. At Hoechst, that percentage has risen from 29.3 per cent to 31.4 per cent between 1990 and 1992.

A tide of reorganisation has washed over the European chemicals industry

Hoechst also has the third lowest sales per employee at $165,000, compared with a European average of $190,000 and a US average of $290,000.

As a result of all these factors, a tide of reorganisation has washed over many parts of the European chemicals industry.

In agrochemicals, the Common Agricultural Policy is leading to a cut in the acreage under cultivation in the EU by up to 20 per cent over the next two years. Last July, Shell sold its agrichemicals business to American Cyanamid, and Hoechst and German rival Schering merged their plant protection divisions in a joint venture with annual sales of about DM3.4bn.

Petrochemicals has seen chronic overcapacity undermine prices and profits. This January alone saw the closure of BP Chemicals' ethylene production plant at Baglan Bay in South Wales and the completion of the sale of ICI's polypropylene division to German company BASF.

Now fibres seem to be increasingly in the firing line. Hoechst last May merged its viscose and acrylics operation, which has annual sales of about £130m, into a joint venture with UK company Courtaulds, under the latter's management control.

Bayer, Hoechst's arch rival in Germany, will next week hive off its textile division into a new subsidiary. The move means lower wage costs as Bayer is able to trim perks and other special payments to employees, without formally leaving the fixed pay scales of the German chemicals industry. Bayer says this means substantial cost savings and will allow it to preserve 1,000 jobs over a period of five years.

Du Pont, of the US, is in the midst of a programme to cut 20 per cent from the operating costs of its European fibres businesses. Meanwhile, according to trade press reports this week, Akzo, of the Netherlands, is asking for 10 per cent cuts in wages at three German polyester plants. There have also been cost-cutting moves in fibres at Rhone-Poulenc of France and Snia of Italy.

Fibres have come under pressure for several reasons:

- an explosion in European and Japanese investment in synthetic fibre manufacture based in the Far East, especially east Asia. Imports now account for some 40 per cent of the polyester filament consumed in Europe. Asian countries supply the overwhelming majority of that. In the 1970s they had virtually no exports to Europe.
- shrinkage of the European textiles industry – the fibre manufacturers' main customer base. Import penetration exceeds 50 per cent in parts of the clothing and textiles industry. Again the competition is based in Asia, so European textiles companies are lobbying for cuts in prices of European made fibres.
- high wage costs. Although Hoechst denied that this would be a reason for hiving off the fibres operation, doing so would enable it to follow Bayer and reduce wage costs towards the levels paid to workers in the textiles industry, traditionally well below those in chemicals and pharmaceuticals.

Hoechst says that it has not yet made the decision to hive off the fibres operation in Europe. But the pressure is rising. Its European fibres operations fell into the red last year, and in November, Mr Wolfgang Hilger, chief executive, said that the earnings position in fibres was "totally unsatisfactory". He announced that 2,000 employees in Germany would move to "short-time" working arrangements.

The situation has deteriorated since then and last month Hoechst said it would cut 2,000 jobs, primarily in Germany.

Now it seems that even these steps may not be enough to turn around the business. Hoechst has already handed over control of its acrylics business to Courtaulds, now it may be forced to distance itself from its entire European fibres operation.

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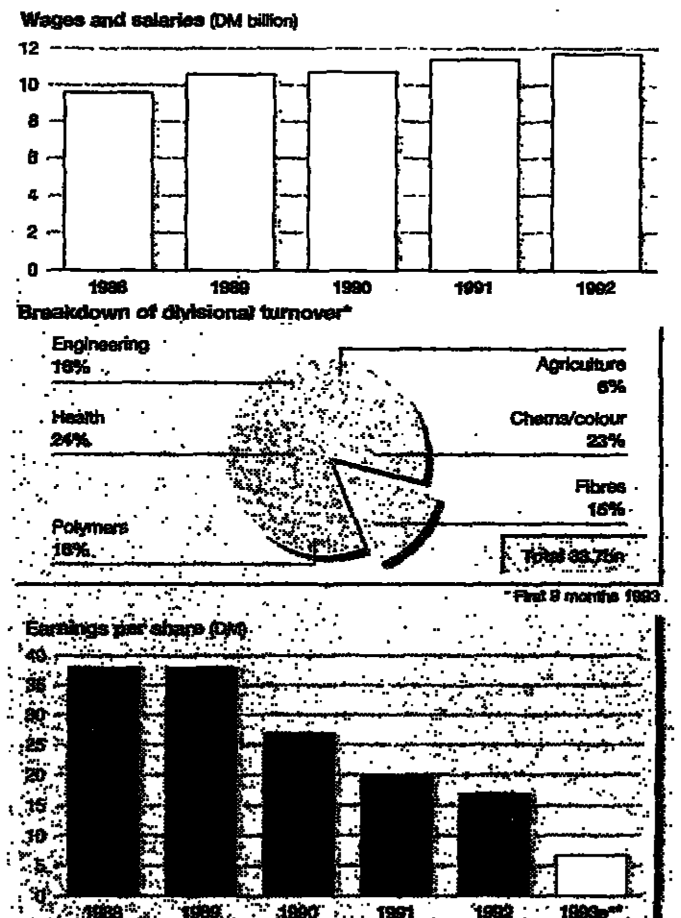
Hoechst: costs up, earnings down



O'Reilly buys into South African newspaper group

By Tim Coone in Dublin and Matthew Curtin in Johannesburg

Independent Newspapers, the Irish publishing group controlled by Mr Tony O'Reilly, has announced it is to take a 31 per cent controlling stake in Argus newspapers, the largest newspaper group in South Africa, in its second overseas acquisition within a week.

The deal will be financed through a share-swap. The price is estimated at about I£20m ($28.5m).

Independent is purchasing its stake from the Johannesburg Consolidated Investment Company and the Anglo-American Corporation. The deal will give the two companies around 4m new shares in the Independent group, equivalent to a 5 per cent stake. Independent will take control of Argus with its 31 per cent stake.

Mr O'Reilly, who is also chief executive officer of Heinz, added that the smoothness of the transaction confirmed the commercial sense of doing business in South Africa. A team from Heinz was evaluating partnerships with local companies.

Last week Independent Newspapers acquired a 24.99 per cent stake in Newspaper Publishing in the UK which publishes The Independent and Independent on Sunday.

It also owns 20 per cent of APN, the Australian regional newspaper group. In 1992 it failed to acquire the Fairfax publishing group in Australia, and later failed to buy Mirror Group Newspapers in the UK.

Argus Newspapers turned in pre-tax profit of R53m ($15m) on sales of R685m in 1993.

Mr O'Reilly's ties with South Africa go back to his first visit in 1955 as a member of the British Lions rugby team. He shunned investment in South Africa during the apartheid era, but cultivated close links with Mr Robert Mugabe, Zimbabwe's president, and then Mr Nelson Mandela.

Top Norwegian savings bank returns to black

By Karen Fossli in Oslo

Sparebanken Nor, Norway's biggest savings bank, yesterday reported a sharp reversal in its fortunes, with a net profit of NKr1.52bn ($200m) in 1993 against a loss of NKr154m a year earlier.

The savings bank, known internationally as Union Bank of Norway, said although loan losses continue to be unusually high and growth in volume was modest, the improvement was far above expectations.

The near-50 per cent decline in domestic interest rates, which contributed to a sharp rise in bond prices, made a strong contribution to the turnround.

Sparebanken Nor will pay a dividend of NKr18 per primary capital certificate - a hybrid security listed on the Oslo bourse - and will allocate NKr599m to a dividend adjustment reserve fund.

Group net interest income rose by NKr604m to NKr3.21bn, as net operating income shot up to NKr5.35bn from NKr3.73bn. Operating expenses rose slightly, to NKr2.46bn from NKr2.43bn. Losses on loans and guarantees dipped to NKr1.31bn from NKr1.5bn, but the bank still achieved an operating profit of NKr1.56bn against an operating loss of NKr271m.

The bank said the volume of defaulted loans developed "in the right direction". Net non-interest-bearing loans fell to NKr1.7bn last year from NKr2.7bn in 1992, with the loss of income on such loans representing an estimated Nkr220m in 1993 against NKr300m the previous year.

● Norgeskreditt, the Norwegian mortgage lending institution which converted to a bank last year, reported a rise in 1993 pre-tax profit, to NKr272.5m from NKr133m in 1992, helped by an increase in net interest income and a fall in loan losses.

Nevertheless, the bank's shares closed down NKr1.50 at NKr150.50 yesterday on the Oslo bourse in active trading. Norgeskreditt will pay a dividend of NKr8.50 per preference share, with the total payout reaching NKr96.4m.

Group net interest income rose to NKr313.7m, or 1.5 per cent of average total assets, from NKr266.8m, or 1.3 per cent of average total assets. Realised gains on bonds, certificates and foreign exchange reached NKr29.7m, against a loss of NKr3.8m in 1992. Profits on shares amounted to NKr26m last year, against a loss of NKr17.1m.

The bank said that a write-down of NKr6.9m of the share portfolio at the end of 1992 was reversed in last year's first quarter, with the market value of shareholdings at the end of last year NKr29.4m higher than the acquisition cost.

Preussag profit tumbles to DM193m

By Quentin Peel in Bonn

Preussag, the diversified German steel, plant construction, engineering, energy and metals trading group, saw net profits tumble to DM193m ($109m) for the year to the end of September, after a loss of DM164m in its steel division.

The result was less than half the DM440m earned in 1991-92, but still showed the value of being such a broad-based industrial holding company, said Mr Michael Frenzel, the newly-installed chief executive. The dividend will be maintained at DM10.

He announced a big push to "internationalise" further the group, which already has 44 per cent of its DM23.29bn annual turnover in foreign sales, although 77 per cent of that export trade is within Europe.

Mr Frenzel said the aim was now to promote Preussag sales and investments in new markets, particularly in north America and in Asia. The group signed a co-operation agreement with Sumitomo, the Japanese trading company, in December to market its products and services in the Pacific region.

He said that results for the first quarter of the current year showed a 4 per cent increase in orders, to DM6.6bn, with a 12 per cent increase in outstanding orders to DM13.4bn. Turnover in the quarter at DM6.1bn was little changed on the same period of the previous financial year.

Positive results for the energy, trade and transportation, shipbuilding and railway wagon building, plant construction and environmental technology divisions, in spite of the difficult economic conditions, compensated for losses from steel, non-ferrous metals and telecommunications.

Apart from the loss at Preussag Stahl, the steel subsidiary, the group had already announced in January the need for a capital injection of up to DM150m for MetalEurop, its ailing French subsidiary which contains all its non-ferrous metals interests.

Bank's rescue leaves bitter taste

The Crédit Lyonnais bale-out is unpopular, writes Alice Rawsthorn

A favourite topic of conversation among French financiers has for years been the precarious state of Crédit Lyonnais, one of the biggest and by far the most controversial of France's banks. However, recently their comments have adopted a rather bitter tone.

Mr Jean Peyrelevade, who was parachuted into Crédit Lyonnais last autumn to succeed Mr Jean Yves Habérer as chairman, is approaching the final stages of negotiations with the French government over a recapitalisation package to repair the state-controlled bank's battered balance sheet.

The timing of the rescue will be critical. Crédit Lyonnais, burdened by the heavy losses and provisions left by Mr Habérer's frenetic expansion strategy, made a net interim loss of FFr1.05bn ($175.6m) in the first six months of last year. This sent its capital ratio to just above the legal minimum of 8 per cent. It is expected in late March to announce an even larger loss, of up to FFr4bn, for 1993, which would push the capital ratio below the minimum.

This means Mr Peyrelevade and the government must agree terms for the recapitalisation before the results come out. The critical question is whether they will manage to meet that deadline against the rising chorus of complaints from Crédit Lyonnais's competitors.

Recapitalisations are a familiar feature in the French public sector. The Bull computer company, Aerospatiale and Air France have all recently received - or are now negotiating - cash injections from the government. However, these groups, like most recent recipients of rescue packages, are involved with industry, not finance.

Mr Marc Viénot, chairman of Société Générale, and Mr Michel Pébereau, his opposite number at Banque Nationale de Paris, have argued publicly that it is unfair for the government to bale out Crédit Lyonnais when their banks are left to fend for themselves.

The counter-argument from the government is that it has no choice but to help Crédit Lyonnais. The bank is paying a painful price for the over-ambitious policies pursued by Mr Habérer.

The crux of its problems is his aggressive lending strategy, which left the bank heavily exposed to the rise in business failures and the fall in property values during the French recession. It has also faced huge write-offs on loans to a string of corporate catastrophes such as Olympia & York, the Canadian property group, and Switzerland's Sasea.

Crédit Lyonnais yesterday lodged an official complaint against the judge in charge of the Sasea receivership.

The government hopes the other French banks will come round to its way of thinking. Many of them, privately, already have. "No one ever likes to see a competitor being given preferential treatment," said one senior Paris banker. "But we all know that Crédit Lyonnais is in a desperate state and that last thing we want is a French version of Banesto. We'd all suffer then."

Yet the complaints of Crédit Lyonnais's competitors - coupled with the threat of opposition from the European Commission, which last month challenged the latest FFr2.5bn injection for Bull - may well affect the final shape of the recapitalisation package.

The government is keen to allay criticism by minimising its direct capital injection, probably to between FFr3.5bn and FFr4bn, and to be seen to encourage Crédit Lyonnais to raise capital on its own through asset sales. The group has already begun with last month's FFr1bn disposal of its 30 per cent stake in the Union des Assureurs Fédérales insurance group.

Mr Peyrelevade is expected to indicate other areas for divestment when the 1993 results are published next month.

In the meantime, he hopes to float off between FFr25bn and FFr28bn of Crédit Lyonnais's property assets into a new state-owned company. Crédit Commercial de France, another bank, implemented a similar scheme before its 1987 privatisation, as did Comptoir des Entrepreneurs, the property group, in its recent rescue.

Analysts suspect that such a package should be sufficient to stabilise Crédit Lyonnais. "It ought to be enough, but everything depends on how bad the 1993 figures turn out to be and that's anyone's guess," said Mr Stephan Arrouays, banking analyst at BZW. However, he, like other analysts, believes that Mr Peyrelevade still has a tough task ahead before it can achieve the government's final goal: privatisation.

"It's far too soon to say what effect the recapitalisation will have on the trading position," said Ms Susan Sternglass, banking analyst at Goldman Sachs. "It's possible that Crédit Lyonnais might break even by the end of 1994, but Peyrelevade will have to provide firm proof of a return to profit before it is a sellable company."

BSN lifts Greek food holding

By Kerin Hope in Athens

BSN, the French food manufacturer, is increasing its equity stake in Delta Dairies, Greece's largest food processor, from 10 to 20 per cent.

BSN will take up 70 per cent of a Dr18bn ($70.5m) rights issue to be launched by Delta next month. A total of 3.01m new shares is to be offered in the two-for-10 issue.

Mr Dimitri Daskalopoulos, Delta's managing director, said BSN's increased participation would "provide a boost in financing and know-how, allowing Delta to expand more aggressively, both in western Europe and the Balkans".

BSN acquired a 10 per cent stake in t Delta in July 1993, and agreed then to co-operate in its efforts to penetrate Balkan markets.

Mr Daskalopoulos said up to 50 per cent of funds raised would be used to finance new projects, mainly in Romania and Bulgaria.

UK insurer provides for transfer cases

By Alison Smith in London

Lloyds Abbey Life, the UK life assurance group, yesterday said it was setting aside money for possible compensation payments to people who bought their personal pensions when transferring out of occupational schemes.

Sir Simon Hornby, chairman, said it had made "sensible and prudent" provisions. The life and pensions industry is awaiting a report from the Securities and Investments Board, the City watchdog, about how to compensate pension transfer customers who have suffered as a result of poor advice.

Provisions rose, but the group would not reveal how much was set aside for pension transfers. It said only that the net effect on the profit and loss account of reviewing its provisions was "insignificant".

Black Horse Financial Services, a "bancassurance" company which sells products only to customers of Lloyds bank, had 22,600 pension transfers, while Abbey Life, the group's other UK life assurance division which sells mostly through a direct sales force, had 30,300 pension transfers.

Together, this gives the group about 10 per cent of the estimated 500,000 pension transfers sold since 1988. In total, some £433m ($636.5m) was transferred into the group from occupational schemes.

The group's pre-tax profits rose 9 per cent to £323.6m ($485.4m) from £297.6m. A final dividend of 11.7p gives a total of 18p, up 17.3 - the first increase for four years. Earnings per share rose from 28p to 31.1p.

Within pre-tax profits, Abbey Life fell to £135.3m, while Black Horse Financial Services rose to £115.6m from £110.5m.

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● Owners Abroad, the UK holiday group, reports 1993 pre-tax profits of £5.8m, after £12m of exceptional costs - including its successful defence against a hostile bid from its rival Airtours, writes Michael Skapinker. This compares with £25.5m the previous year.

Euro Disney debt sale hits snag

By Alice Rawsthorn in Paris and John Gapper in London

The first sale of secondary debt in Euro Disney, the troubled leisure group, is believed have run into problems because Midland, the UK bank which is selling the FFr130m loan ($21m), has delayed completing the deal.

Speculation in the New York secondary debt market suggested that the Bank of England was putting pressure on Midland to abandon the proposed sale.

Both Midland and the Bank of England declined to comment on the issue.

Midland, one of the 64 international banks that own Euro Disney's FFr20.3bn net debt, is understood to have agreed in principle early last month to sell its FFr130m portion of debt to a US investor for 60 per cent of its original value.

The deal was agreed subject to documentation. This process usually takes three weeks for the first transaction in a sizeable company such as Euro Disney, and Midland was expected to complete the transaction a few days ago.

However, US sources said that the deal had been delayed over the past few days. This has led to speculation over the role of the Bank of England, which has expressed concern about the effects of uncontrolled secondary debt trading.

The Bank has formed a working party of banks in an effort to develop a code of practice that would require buyers of distressed debt to comply with the Bank's set of principles for the restructuring of troubled companies.

The Midland deal had been regarded by secondary debt specialists as a watershed transaction which could have opened up a lucrative market in Euro Disney and helped to establish the distressed investment market in Europe.

The secondary loans market has expanded rapidly in the US. But there is now an imbalance between the amount of capital available and the dwindling number of distressed investment opportunities, prompting US investors to look to Europe.

Hungarian retailer plans share offering

Fotex, the Hungarian retail group, is preparing to make a $100m international equity offering, after revealing a post-tax profit rise of 43 per cent to Ft1.08bn ($11m) in 1993, writes Nicholas Denton in Budapest.

Sales revenue grew 80 per cent to Ft15.5bn.

Fotex plans to place about 30 per cent of the company with selected institutions and later seek a quotation on New York's Nasdaq exchange.

The $100m tranche would be the largest international equity issue by an east European company, topping Fotex's own record established in 1991 with a $54m private placement with US investors.

Impala registers first-half gain at pre-tax level

By Matthew Curtin in Johannesburg

Pre-tax profit at South Africa's Impala Platinum, the world's second-largest producer, improved 3 per cent to R153.7m ($44.7m) in the half-year to December 31, underpinned by a solid operating performance at the group's mines and almost flat rand revenue for its platinum group metal production.

The rand's weakness against the dollar compensated for 55 per cent and 29 per cent lower dollar prices for rhodium and nickel respectively, which compared with 9 per cent and 45 per cent better platinum and palladium prices. The average rand price for the parcel of metals Impala sold fell to R1,960 an ounce from R2,009 an ounce.

Mr Michael McMahon, managing director, said: "The sky is falling on our heads as far as metal prices go." Although platinum revenue increased to R734m from R524m, rhodium revenue collapsed to R146m from R318m. Overall turnover rose slightly to R1.1bn from R1.03bn.

Mr McMahon said that given the "soggy fundamental" market conditions facing platinum, with plummeting car sales in Europe and Japan, hopes rested on the metal's link with gold.

On-mine operating costs were well contained as Impala started to reap the full benefit of its recent productivity drives centred on increasingly mechanised underground operations and retrenchments throughout the group's operations. Impala has shed one-third of its workforce in the past two years, but with 37,000 employees is still short of a target of 35,000.

Increased capital spending and the group's revised expansion programme, in addition to lower interest receipts and share of income from Impala's stake in Lonrho's neighbouring platinum mines, took their toll.

Distributable profit fell to R53m from R59.1m, equivalent to 134 cents and 136 cents a share, but a maintained 45 cents dividend is declared. Mr McMahon said Impala would match the performance in the second six months.

SA casinos group 16% up at halfway

By Matthew Curtin

Sun International Bophuthatswana, owner of 12 casino resorts in the South African homeland, reported a 16 per cent gain in pre-tax profit in the half-year to December 31 to R158.3m ($46m), from R136.6m the previous year.

The group enjoyed the first full contribution from its newest resort, the Lost City, which lifted sales by nearly one-third to R717.6m from R556.4m.

Mr Sol Kerzner, chairman, said a sharp increase in the number of overseas tourists at its Sun City complex was "a breakthrough in the international market place", with occupancy rates at more than 70 per cent despite the expansion of facilities and the completion of the Lost City.

Operating margins held steady on improved operating profit of R178.8m against R141.7m, but interest costs rose sharply to R20.5m from R4.6m, reflecting the debt incurred in funding new projects. Long-term borrowings were trimmed to R276.5m from R351.5m.

Slightly lower tax ensured attributable earnings climbed to R134.5m from R110.6m, equivalent to 113 cents and 93 cents a share. A 17 per cent improved interim dividend of 75 cents, against 64 cents, is declared.

Japan turns old debt into a new company

Finance ministry officials describe government proposals to allow the securitisation of bad debt as 'epoch-making', but not everyone agrees, writes Emiko Terazono

Japan's bureaucrats, scrambling for an ultimate Japanese Way to solve the bad loan problem of their country's banks, presented their answer this week with a government economic package.

"It's epoch-making," said a triumphant finance ministry official, after explaining its proposals to deal with the mounting bad loans and increasing number of corporate restructuring programmes for which the banks are having to provide financial aid.

The traditional "Japanese Way" of dealing with bad or risky loans has been to sit on them until conditions improved – or until the borrower went bankrupt. Such methods have been under scrutiny, with critics contending that Japanese banks should learn from their US counterparts to write off bad loans or make loss reserves for dubious ones.

Non-performing loans at 21 leading institutions rose 7.7 per cent to Y13,800bn ($126bn) in the first half to September, but this figure might well be doubled if the broader, western interpretation of non-performing loans is used.

The finance ministry's new policy guidelines allow banks to shift deteriorating assets off balance sheets by securitising the loans, Japanese style. Banks will be allowed to set up a special company to buy loans made to non-bank financial institutions, to which banks have waived all or most of the interest.

Through the plan, the ministry wants to wipe away concerns over problem loans to non-bank finance companies, including housing loan companies caught up in the buying frenzy of the late 1980s, which have been weighing heavily on the Tokyo stock market and business confidence.

The ministry says that unlike the US securitisation of loans – where a third party buys the securities – the company, financed by the banks, will purchase the loan at a discounted price, and monitor the financial restructuring of the borrower.

The scheme will allow banks to define their losses on such loans and, by keeping the loans within the existing group of creditors instead of selling it out into a secondary market, the non-bank finance companies and banks can maintain their ties.

But in spite of the enthusiasm by the authorities, some Japanese bankers contend that the loan securitisation scheme does not fundamentally solve the problem, since the ties between the creditor bank and the non-bank financial company remain, and financing the special purchasing company will be an additional cost. "It's a bit masochistic," says one bank official.

Mr David Marshall, analyst at IBCA, the UK bank rating agency, says: "The measures do give some encouragement to banks to write off problem loans and may pave the way for a more fundamental solution for the non-bank problem."

However, he adds that the plan may allow banks to remove chunks of problem loans from their balance sheets and hide them in the special-purpose companies. The scheme also highlights the close involvement of the ministry of finance in matters that in the West would be left to banks' management and auditors.

Meanwhile, the finance ministry will ease the restrictions on making taxed loan loss reserves. The measure will allow banks to add loan loss reserves to cover risky loans so long as they are willing to pay tax for it; so far, banks which wanted to reserve against a loan had to undergo strict ministry scrutiny that the borrower could not repay its debts. Ms Alicia Ogawa, analyst at Salomon Brothers in Tokyo, regards this scheme as good news so long as the banks have enough profits to pay the taxes.

But without tax incentives, bankers say making reserves against risky loans is too much of a burden. "It does allow us to look forward and leave the problems behind, but it's not beneficial, profit-wise," says one commercial bank official. "But most of us are so busy dealing with unrecoverable loans, that looking at those with a risk of going bad doesn't have much priority at the moment."

NEWS DIGEST

Saudi British Bank ahead at SR402m

Saudi British Bank, 40 per cent owned by HSBC group, saw 1993 net profits rise 50 per cent to SR402.6m ($107m) from SR268.1m in 1992, writes Robin Allen in Kuwait.

Total assets at end-1993 were SR22.8bn 10 per cent higher than a year earlier. Deposits were up 12.2 per cent at SR16.7bn, while the loan portfolio grew by SR1.2bn to SR8.1bn.

Earnings per share were SR41.65 compared with an adjusted figure of SR33.52 in 1992, and the board is recommending a dividend of SR30 per share.

Chairman of Air India resigns

The chairman of state-run Air India, Mr Yogesh Chandra Deveshwar, has resigned, Reuter reports from Bombay.

The civil aviation and tourism ministry said Captain Durga Mathur would take over as acting chairman. Mr Deveshwar, who took charge in November 1991, is returning to his former company, private-sector tobacco company ITC.

Last month, the government issued an ordinance making the airline and state-run Indian Airlines, which runs domestic flights, public limited companies to enable them to tap equity markets.

Wesfarmers boosts interim profit 43%

Wesfarmers, the Perth-based conglomerate, posted a 43 per cent rise in net profit to A$37.4m (US$26.8m) in the six months to December 31, Reuter reports from Perth.

The company said improved performances were recorded in rural trading, insurance, fertilisers, chemicals, hardware and forest products as well as dairy and transport activities. However, it said energy and retail operations were flat.

Shake-up for top jobs at NEC

NEC, the Japanese electronics and telecommunications company, said that Mr Tadahiro Sekimoto is to be succeeded as president of the company by Mr Hisashi Kaneko, currently executive vice-president, writes Michiyo Nakamoto.

Mr Sekimoto, who served as president for 14 years, will become chairman of the company and Mr Kenzo Nakamura, chairman, will become adviser.

Dividend cut at Genbel Investments

By Matthew Curtin

Genbel Investments, the investment and securities trading group unbundled last year from mining house Gencor, has reported a 30 per cent jump in pre-tax income to R179m ($52m) in the six months to December 31.

However, the company made a R80m provision for the possible loss in value of its stake the Oryx gold mine and aluminium producer Alusaf. The provision set attributable profit back to R77m from R138m. The fall in earnings to 18 cents from 23 cents a share was accompanied by a 33 per cent lower interim dividend of 10 cents.

A spokesman said Genbel had made good progress in recent months in establishing its enlarged "investment trust business" with R1bn borrowings used to buy R717m worth of equities and gilts, plus a R270m futures exposure.

SEC to propose new rules for stock trading systems

By Patrick Harverson in New York

The Securities and Exchange Commission voted yesterday to propose new rules that would establish record-keeping and reporting requirements for brokerage firms operating automated stock trading systems in the US.

The proposals represent the first action the SEC has taken to follow up on its Market 2000 report. Published last month, Market 2000 was the agency's first big study of US financial markets in more than 20 years.

The report recommended a series of regulatory and reporting changes that it believed would improve market supervision and oversight.

Mr Arthur Levitt, chairman of the SEC, said that while he welcomed the lower costs and improved efficiencies that the automated trading systems had generated, the systems were having a growing impact upon securities markets, and it was important that regulators gathered more information about their activities.

Under the terms of the new rules, which will not be introduced until the end of a 60-day period for receiving comments from the industry, firms operating the trading systems would have to make quarterly reports to the SEC about participants, volume and transactions on the systems.

The rule changes are aimed primarily at big securities firms which use their own trading systems to execute orders for their institutional and retail clients. Seeking to cut costs and improve efficiency, more firms have moved this kind of business in-house, rather than use the more conventional floor-based exchanges like the New York Stock Exchange or the computer-based markets like the National Association of Securities Dealers' Nasdaq systems.

Yesterday, Mr Bernard Madoff, of Bernard Madoff Securities, a firm that operates one of the biggest off-exchange automated trading systems, said he anticipated little difficulty in complying with the SEC's new rules.

He said the firm had been gathering information and reporting information to regulators for years. "I don't think the industry will have a problem with this.

The information is already available. It's just a question of deciding what information they want and how they want it reported."

Earnings at Goodyear climb 30% in quarter

By Frank McGurty in New York

Strong operating margins enabled Goodyear, the last of the big US-owned tyre groups, to lift net income by nearly 30 per cent in the fourth quarter, despite a slight decline in sales.

The company posted earnings of $113.2m, or 76 cents a share, in the final three months of 1993, against $87.5m, or 61 cents, in the corresponding period of 1992.

Revenues slipped from $2.92bn to $2.91bn, largely because of 6 per cent slide in Europe, where the car industry is severely depressed. Latin America, with sales 5 per cent higher and operating income up 74 per cent, continued to outperform other regions. Sales were flat in the US, despite a strong performance by the domestic car industry.

The announcement was greeted warmly on Wall Street, even though the company had given investors an accurate estimate of its results two weeks ago. The stock added $1½ to $49 in early trading, amid expectations that the company's performance would improve as the US economy expands in 1994.

For the full year, net earnings, excluding extraordinary items and the effect of accounting changes, improved 33 per cent to $488.7m, or $2.57. Worldwide sales dipped to $11.64bn, compared with $11.78bn, but the year-earlier figure included $43m in revenues from businesses which were later discontinued.

Charges push Aetna into red

By Richard Waters in New York

Aetna, the US multiline insurer, racked up an after-tax loss of $366m last year ($593m before accounting changes) as a result of substantial one-off charges announced recently.

The charges, amounting to $1.28bn after tax, followed a decision by the company to stop offering unprofitable guaranteed investment and annuity products, and to cut 4,000 jobs in an attempt to lift its lacklustre performance.

Without the one-off items, Aetna showed an improvement in operating profits last year, to $610m from $192m in 1992.

The improvement came against a fall in premium income, from $10.8bn to $10.6bn, and was helped by a 7 per cent decline in operating expenses during the year, though Aetna's overheads still remain higher than most of its competitors.

For the final quarter of the year, before charges, the company reported earnings of $143m, compared with less than $1m the year before.

Earnings improvements were seen in all operating areas during the year. Net income in health and life insurance (before charges) rose to $344m from $315m, though fourth quarter results stayed flat at $91m.

Commercial property/casualty insurance operations reported a profit of $139m for the year (a loss of $125m in 1992) while the personal property/casualty business had earnings of $8m (a loss of $18m).

Mr Ronald Compton, chairman, said Aetna's actions to cut the drag on its earnings from the unprofitable investment products, to reduce costs and to cut the size of its property portfolio would enable it to improve returns in future.

KPMG terminates Spectrum role

By Louise Kehoe in San Francisco

Spectrum Information Technologies, the company that Mr John Sculley abruptly left earlier this week, said yesterday that its accounting firm, KPMG Peat Marwick, had terminated its relationship with the company.

KPMG was brought in at Spectrum in November by Mr Sculley, the former chairman and chief executive of Apple Computer. On Monday Spectrum restated its earnings, based on KPMG's recommendations, to defer $6.4m in revenues previously recorded in the past two quarters.

Spectrum said that the accounting firm gave no reason for ending the relationship, but indicated that the resignation was "not based on any accounting disagreements with the company".

"We view their action as arbitrary and unprofessional," said Mr Salvatore Marino, chief financial officer. "The accounting firm had not yet reviewed the financial records of the company. We think it is more than coincidental that their resignation follows that of John Sculley."

Correction

Mr Kirk Kinnear

We are happy to make it clear that Mr Kirk Kinnear was not recruited to run the growing swaps business at MG Corp, as stated on January 10. He joined the company shortly before the end of its fiscal year, ended September, 1993 as vice-president, crude arbitrage. He was not involved with the company's trading in the derivatives markets.

Viacom tops the Paramount bill

Martin Dickson looks at the final offers for the entertainment group

The $10bn, five-month takeover battle for entertainment group Paramount Communications may be within days of a final showdown, with cable company Viacom holding an apparent lead but television shopping channel QVC Network still fighting hard to win investor support.

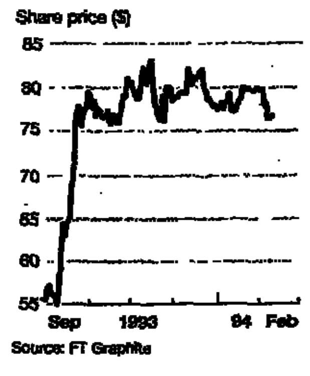
Shareholders have until midnight, New York time, on Monday to decide between the bidders' final offers, and victory will go to whichever company wins over 50 per cent of Paramount's stock. However, if neither side gets over half the shares, the battle will continue and the bidders will be free to alter their terms again.

During the final few days of the campaign, both Mr Sumner Redstone, chairman of Viacom, and Mr Barry Diller, the film industry executive who heads QVC, have been wooing the big institutional investors and Wall Street traders who control much of Paramount's stock in a succession of face to face meetings.

Two issues dominate these sessions: the relative value of the offers, and which bidder will be better able to exploit the assets of Paramount, which include Hollywood film studios, book publishing, theme parks and New York's Madison Square Garden sports arena.

A significant number of investors have already made clear that they intend to tender their shares to Viacom unless QVC can improve its terms, which the rules of the Paramount auction forbid it from doing before Monday's close.

Paramount



Source: FT Graphite

Viacom is offering $107 a share in cash for 50.1 per cent of Paramount's stock, compared to QVC's $104 a share. The package of common stock and other securities QVC is offering for the remaining 49.9 per cent has a higher theoretic market value than that in Viacom's bid, giving the overall QVC bid a value of around $86 a share to Viacom's $81.50.

QVC's apparent lead is due partly to the fact that Viacom's shares have fallen sharply as it has looked more like the winner, while QVC's shares have risen. Investors are concerned about the amount of Viacom paper that will flood the market in the event of victory, as well as the debt the winner will be taking on.

However, many investors say they prefer the Viacom offer because it guarantees to pay up to $12 a share if its stock trades below a certain level in the year after a Paramount takeover. The QVC bid lacks any such mechanism and Mr Diller argues that "there are no safe harbours. There might appear to be but there really aren't. They are illusions".

However, QVC has been hinting that its largest backer, the telephone company BellSouth, might give a degree of share price support by offering to buy a certain amount of QVC stock at a particular price over a period of years. But if it did so before Monday night it might be accused of breaking the auction rules.

As for strategic fit between the two companies, shareholders are essentially being presented with a choice between Viacom's depth of management and broad range of businesses, and Mr Diller's individual proven flair for turning around troubled Hollywood studios.

Paramount Pictures, the crown jewel among Paramount's assets and the reason the takeover battle has been fought so long and hard, has a distinctly lacklustre track record – a fact underlined last week when the group warned it would suffer a loss of $35m to $40m in its third quarter.

Mr Diller, who headed Paramount during one of the studio's successful phases, and then went on to launch Mr Rupert Murdoch's Fox business as a fourth television network, says the group's film and television operations need most work. "And I've the most experience in those areas . . . that's not the experience the other side has. It will take them longer."

Viacom – which bought many of its creative businesses, rather than building them from scratch – argues that it is the better bet because a merger with Paramount, together with its simultaneous $8bn bid for Blockbuster Entertainment, the video rental retailer, will create a "global entertainment powerhouse".

Viacom says it will bring to the partnership much more depth of management, its own successful track record in television programming and Blockbuster's strong cash flow and film and record retailing chain. The combination will offer new distribution channels for Paramount's studios.

Wall Street was initially unenthusiastic about a Viacom-Blockbuster-Paramount deal, largely on the grounds that Blockbuster's video rental business is going to be made obsolete by inter-active, video-on-demand in the home.

But some analysts have since warmed to the combination. Says Mr Christopher Dixon of Paine Webber: "The ability to create efficiencies, cross promote and develop new businesses holds enormous promise."

The idea of Mr Diller reviving Paramount still excites Wall Street, which for the most part believes both bidders would be worthy winners. But with the strategic arguments finely balanced, perceptions of short-term shareholder value will win the day, and right now that looks like handing victory to Viacom.

Northwest Airlines back in black for final term

By Richard Tomkins in New York

Northwest Airlines, the US carrier planning a flotation on the US stock market by the end of next month, scraped into profitability in the fourth quarter with net income of $10.5m compared with net losses of $695.2m last time.

The company said that the figure would have been higher without the impact of an $85m accounting charge relating to new labour contracts. Operating profits were $74.8m compared with operating losses of $185.4m last time, it said.

For the full year, the airline reported a turnround from operating losses of $376.2m to operating profits of $292.4m. But it was still in the red after tax, showing net losses of $115.3m compared with losses of $1.08bn last time. The previous year's figures included non-recurring pre-tax charges of $792.7m.

Northwest Airlines left the stock market in 1989.

Quebecor turns in rise of 93% in operating income

By Robert Gibbens in Montreal

Quebecor, the printing, publishing and forest products group, reported a 93 per cent gain in operating income in 1993, with better results from most of its businesses.

Net income from operations was C$75m (US$57.2m), or C$1.11 a share, against C$56.2m, or 85 cents, a year earlier, up 31 per cent. Revenues were C$3.1bn, up 21 per cent. However, after special items final net profit was C$74.6m, or C$1.10, against C$87.3m, or C$1.34.

The company's biggest single unit is Quebecor Printing, north America's second-biggest commercial printer. It has just acquired 49 per cent of Groupe Jean Didier, France's leading commercial printer. Later, Quebecor will take full control of Didier which has annual sales of about US$350m.

Quebecor Printing said it was also looking at acquisitions in Italy and the UK.

Ford Europe trims loss to $960m

By Kevin Done, Motor Industry Correspondent

Ford's European automotive operations, including Jaguar, posted a slightly reduced net loss of $960m in 1993 – its third successive heavy annual loss.

However, excluding Jaguar, Ford's UK luxury car subsidiary, the European operations "could be profitable" in 1994, the US carmaker forecast yesterday.

A return to profit would depend on the continuation of the economic recovery in the UK and on an increase in west European new vehicle demand.

Ford has suffered one of the weakest financial performances of the big six volume carmakers in Europe in the last three years with total net losses of $3.3bn in the period including a loss of $1.29bn in 1992 and $1.08bn in 1991.

Ford said its European operations had been hit heavily last year by the 16 per cent decline in new vehicle demand in west Europe and by currency fluctuations.

Its results were burdened by a pre-tax operating exchange loss of $485m for the full year due chiefly to the weakness of the lira, the pound and the French franc.

Excluding Jaguar, Ford's European automotive operations sufferred a loss of $407m last year following a loss of $647m in 1992 (including a one-time $334m restructuring charge) and $478m in 1991.

The US carmaker has been forced to undertake a drastic rationalisation of its European operations and has cut its workforce, excluding Jaguar, by 15.4 per cent to 83,000 people by the end of 1993 from 98,100 in November 1992.

The company said yesterday that the restructuring programme had been completed following a cut of 4,600 jobs or 23 per cent of the salaried workforce and of 10,500 jobs or 14 per cent of the hourly workforce. Costs had been reduced "substantially".

Ford, which is in fourth place in the west European car market behind the Volkswagen group of Germany, General Motors of the US and the PSA Peugeot Citroën group of France, increased its market share marginally last year to 11.4 per cent (excluding Jaguar) from 11.2 per cent a year earlier.

The higher share was due largely to the success of its Mondeo large family car, while the Fiesta, Escort and Granada/Scorpio all lost ground.

Vehicle sales from its plants in Germany and Belgium fell by 10 per cent to 831,216, from its UK plants by 11 per cent to 421,939 and from its Spanish plants by 32 per cent to 211,413.

Jaguar, the UK luxury carmaker which Ford acquired in 1989 for £1.6bn ($2.4bn), cut its operating loss last year to $371m (including one-time restructuring costs of $174m) from a loss of $412m in 1992 and a loss of $354m in 1991.

Excluding the restructuring actions the results improved by $215m reflecting a 22 per cent increase in retail sales to 27,000 – including a 47 per cent jump in sales in the US to 13,000 – and savings from cost reduction programmes.

Jaguar is being more closely integrated with Ford's European operations. Later this year production of the stamped body panels for Jaguar cars will be transferred from Venture Pressings, a joint venture with GKN, the UK automotive components group, to the Ford plant at Halewood, Merseyside, which has free capacity.

Australian unit halts output at two plants

By Nikki Tait in Sydney

Fears of a further big contraction in Australia's car industry surfaced yesterday, when Ford Australia said it would halt all production at the Homebush assembly plant in New South Wales, and cease producing the Capri sports car at its Broadmeadows plant in Melbourne.

In Sydney, Mr John Ogden, president of Ford Australia, emphasised that the restructuring did not herald an immediate pull-out by Ford from manufacturing in Australia.

Declining tariff protection for the Australian car industry caused Nissan, the Japanese carmaker, to halt local assembly in 1992, with the loss of almost 2,000 jobs. Tariffs, which stood at 57.5 per cent in the mid-1980s, are being reduced and should reach 15 per cent by the year 2000.

Ford said that the decision to shut down the Homebush plant, which has been assembling the Laser model since 1981 and employs around 400 people, was due to "increasing costs of complete knock-down assembly, reducing tariff levels and declining volumes".

One-off costs associated with the restructuring plan marred an otherwise improved profit performance from Ford Australia in 1993. The company said that it made a net loss of A$45.3m (US$32m) on sales of A$2.77bn, compared with a loss of A$38.3m in 1992, when sales reached A$2.46bn.

But the 1993 deficit was entirely due to a A$89.3m abnormal item, largely reflecting the restructuring costs. After-tax operating profit was A$44m, up from a loss of A$25.7m last time. Ford also said its market share edged up from 22.9 to 24.4 per cent.

Poseidon Gold buys 40% stake in mine

By Nikki Tait and Kenneth Gooding

Poseidon Gold, part of Mr Robert de Crespigny's Normandy Poseidon group, is to buy a 40 per cent interest in the Boddington gold mine from Reynolds Metals Australia, part of the US minerals group.

Reynolds, battered by the slump in aluminium prices, has been looking for buyers for its gold operations for some time. It is retaining the Mount Gibson and Yilgarn mines in Australia that last year contributed 210,000 ounces to Reynolds' total and will continue its gold project in Australia's Northern Territories.

PosGold, which is currently in the throes of a hostile bid battle for Aztec Mining, will pay $116m for the stake and undertake to deliver 30,000 ounces of gold over seven years.

The deal, which is subject to regulatory approvals, will make PosGold the largest stakeholder in the mine, which is located about 120km south-east of Perth. Other partners in the project include Newcrest Mining, with a 20 per cent interest and Billiton Australia Gold, with 30 per cent.

Ratings cut at Nissan and American Honda

By Michiyo Nakamoto in Tokyo

Standard and Poor's has lowered the credit ratings of Nissan and American Honda. It has affirmed Toyota's triple A long-term rating and removed the group from creditwatch.

S&P said that Nissan's poor financial performance led it to reduce the company's credit rating to BBB+ from A.

"Recovery of earnings will take a few years, as the company's efficiency continues to be affected by excess production capacity domestically and weak performance of overseas subsidiaries," S&P said.

S&P noted that Nissan continued to have a strong market position in Japan, global market presence and "exceptional product development abilities as a full line producer of passenger cars".

American Honda had its credit rating lowered to A-2 from A-1. Honda's liquidity levels were low while earnings continue to be under pressure, the agency said.

Toyota had its triple A credit rating affirmed, as a result of its dominant share of the Japanese market, strong presence in overseas markets and strong financial profile.

PPG paint deal with Akzo near completion

By Ian Hamilton Fazey

Competition in the European market for painting cars during manufacture – worth about £650m ($975m) a year – is likely to intensify following the German and Dutch authorities' approval last week of the sale of Akzo's share in the business to PPG, the US industrial coatings specialist.

The takeover, now in the final stages of European Union approval, will reduce numbers of principal competitors to three – PPG; Herberts, the industrial coatings subsidiary of Hoechst, the German chemicals group; and BASF, another big German chemicals company.

This rationalisation will allow each group to step up the fight for market share.

Although Herberts and BASF dominate their national market, PPG is believed to have at least 35 per cent of total European sales, while industry sources estimate Herberts' European share at around 25 per cent and BASF's as approaching 20 per cent.

Akzo claimed a 9 per cent share. ICI withdrew from the market last month when it abandoned IDAC, a six-year joint venture with Du Pont based near Cologne. Du Pont will continue alone, with what was claimed as an 11 per cent share at the time of the break-up.

Mr Austin O'Malley, managing director of PPG's European business, said yesterday he was expecting vigorous competition as PPG hurried to integrate Akzo technology, products, research and development.

PPG's tactic will be to offer manufacturers the chance to completely outsource the painting process at a lower cost than buying materials and technical support at competitive prices and doing the job themselves, as now.

PPG's acquisition of Akzo's business – coupled with an earlier alliance with Bollig and Kempe, a German spray painting specialist – will give it a full range of all the products and technologies involved.

Bayernwerk taps energy opportunities in the east

The west German power group plans a DM5bn investment in Thuringia, writes **Judy Dempsey**

The Treuhand privatisation agency has sold the remainder of eastern Germany's regional utilities to Bayernwerk, west Germany's third-largest electricity company.

Bayernwerk, which has acquired majority stakes in three utilities in the eastern state of Thuringia, will invest more than DM5bn ($2.9bn) over the next five years and guarantee several thousand jobs.

The sale follows separate acquisitions by RWE Energie, the country's largest utility company, and PreussenElektra, the electricity division of Veba, the energy-based conglomerate which together will invest more than DM5.5bn and secure another 8,000-plus jobs.

The significance of these acquisitions is that they finally open up east Germany to large investments in the electricity sector.

These are expected to exceed DM40bn by the end of the decade. More importantly, the sale ends a bitter three-year-old property rights dispute in which eastern Germany's 164 municipalities had unsuccessfully tried to claim the assets of the region's 15 utility companies with the aim of opening up the sector to genuine competition.

At issue in the dispute was the Stromvertrag, or Electricity Contract negotiated by the then east and west German governments in August 1990. It stipulated that only 49 per cent of eastern Germany's 15 regional utilities could be owned by the municipalities with the remaining 51 per cent divided among RWE, PreussenElektra, Bayernwerk, and west Germany's five smaller utilities which would modernise the utilities.

However, as a means of underwriting these investments, the Stromvertrag stipulated that the regional municipalities must buy 70 per cent of their energy from Veag over the next 20 years. Veag is a monopoly structure: the Stromvertrag gave RWE, PreussenElektra, and Bayernwerk a 75 per cent stake in Veag, with the remaining 25 per cent divided among the five smaller west German utilities. Veag, which controls the region's high-voltage grid, is being privatised by the Treuhand to these companies.

In spite of the large investment commitments, "the principle weakness of the Stromvertrag is the way it stifles competition in eastern Germany's energy sector", an energy expert and adviser to the Treuhand said.

Veba defends the Stromvertrag on the grounds that the two German governments negotiated the deal as a means of securing a future for brown coal, or lignite which fuels eastern Germany's utilities. However, the municipalities have argued that west German utilities have established a monopoly in the east's energy sector, stifling competition as a result.

> **The concerns facing western German utilities centre on whether there will be a sufficient growth in electricity sales in eastern Germany to justify their investments, and whether gas will become a leading player which would undermine the architecture of the Stromvertrag**

Eastern Germany's municipalities, which retain the right to generate or buy from elsewhere 30 per cent of their energy needs, have tried to fight back.

Several cities, including Potsdam, have opted for gas to circumvent the monopoly structure and enter the lucrative energy sector. At the same time, outsiders can take a stake in the remaining 49 per cent stake of the regional utilities. But even they are locked into the Stromvertrag: the utilities must buy 70 of their energy from Veag.

Yet common to all the players in eastern Germany's energy sector is the need for customers. Before German unification, natural gas accounted for less than 10 per cent of primary consumption in eastern Germany, while electricity, fuelled by brown coal, accounted for more than 87 per cent. Energy consumption has fallen 60 per cent since 1990, with brown coal/electricity bearing the brunt, following the collapse of the region's manufacturing base.

The concerns facing western German utilities centre on whether there will be a sufficient growth in electricity sales in eastern Germany to justify their large investment programme, and whether gas is set to become a leading player which would undermine the careful architecture of the Stromvertrag.

Veba is confident that PreussenElektra will reap the benefits of its recent acquisition. "I don't see any danger for our investment. The Stromvertrag guarantees us energy sales," the company said. It added that politicians would put pressure on east German cities to buy electricity instead of gas to protect miners' jobs.

Veba's confidence has been further lifted by the prospect that even if energy consumption shows few signs of a pick-up in eastern Germany, PreussenElektra and the other west German utilities can resort to Union pour la Coordination de la Production du Transport d'Electricité, or UPCD.

This means that energy generated in eastern Germany, unlike pre-unification days, can be sold to other European Union countries as part of the UPCD arrangement.

The Veag management is connecting high voltage grid lines to the eastern and western German networks to secure sales across Germany and to EU countries.

"You can see why our investments and acquisitions in eastern Germany are an opportunity of a life-time," added Veba. Indeed, as one energy expert said, without competition, how could they be anything else.

INTERNATIONAL CAPITAL MARKETS

US prices drift higher ahead of 10-year note auction

By Frank McGurty in New York and Antonia Sharpe in London

US bond prices drifted higher yesterday in light activity, as traders adjusted their positions ahead of an afternoon auction of new 10-year notes.

By midday, the benchmark 30-year government bond was $\frac{5}{32}$ better at $97\frac{17}{32}$, with the yield slipping to 6.433 per cent. On the short end, the two-year note was unchanged at $99\frac{1}{16}$, to yield 4.417 per cent.

Opinions were divided on how much demand would surface for the sale of $12bn in 10-year securities, the second leg of the Treasury's $40bn quarterly borrowing programme.

The first stage – Tuesday's auction of $17bn in three-year notes – appeared to draw reasonable interest, but afterwards the market failed to lift the price on when-issued notes, which some interpreted as a disturbing sign.

The uncertainty over the market's direction comes in the wake of the Federal Reserve's decision last week to nudge up short-term rates for the first time in five years.

It was unclear whether the move would be sufficient to staunch inflationary pressures in the economy, or if the Federal Reserve would have to make a second strike in the coming weeks.

GOVERNMENT BONDS

■ A firm opening in US Treasuries and signs that the recent transatlantic selling had come to an end helped UK government bonds and futures to come off the day's worst levels. The March long gilt future bounced from the day's low of $115\frac{1}{32}$ as traded as high as $116\frac{1}{32}$. It stood at $115\frac{23}{32}$ in the late afternoon, down $\frac{11}{32}$ on the day.

In spite of yesterday's recovery, analysts said the gilts market remained shaky, since many market participants had taken the view that Tuesday's unexpected rate cut had been politically motivated.

■ German government bonds broke their recent losing streak and made solid gains as dealers covered their short positions.

The March bund future on Liffe bounced back from the day's low of 98.58 to 99.21 in the late afternoon, up 0.20 point on the day.

The market appeared to be divided about the market's short-term outlook.

Some dealers warned that the market remained vulnerable to any adverse developments in US Treasuries which could push futures back as low as 98.00.

However, others believed bunds had come to the end of their downward correction and that futures could go back above par in the next week.

■ Southern European government bond markets continued to show resilience to the volatility in other markets, protected by their relatively high yields and sound economic fundamentals.

The Italian government bond March future rose 0.14 point to 118.40, while in Spain, the March government bond future added 0.07 point to 106.28.

Some analysts said the good performance of these markets since the start of the year could be put at risk if bond markets worldwide had another bout of weakness.

"There are funds with massive positions in the main markets so they might get cold feet about their exposures to smaller markets," one analyst said.

■ Japanese government bonds and futures continued to rebound yesterday as investors took the view that the worst was over for the market now the government's fiscal package designed to lift the economy had finally been unveiled.

The yield on the benchmark JGB No 157 fell to 3.42 per cent in Tokyo from the previous day's close of 3.51 per cent, and stood at 3.42 per cent in London trading.

Mr Nigel Richardson, head of bond research at Yamaichi International, said the market was contrasting its concerns about oversupply with Japan's favourable inflation prospects.

FRNs take centre stage amid interest rate doubts

By Conner Middelmann

Floating-rate notes again featured prominently yesterday, meeting demand from investors expecting interest rates in the US and the UK to creep higher. However, the interest rate outlook on both sides of the Atlantic remained uncertain.

Dealers said activity was subdued, with many investors preferring to remain sidelined until this week's US Treasury's auctions of 10- and 30-year bonds and Friday's January US producer prices index data were out of the way.

Goldman Sachs issued the day's largest FRN, a $500m offering of four-year notes.

The deal will be priced today to give a margin of three-month Libor plus ⅛ point at the reoffer price. A syndicate official at Goldman Sachs reported strong interest in the issue from investors seeking exposure to rising interest rates.

"We are seeing strong demand for US dollar floaters – there's a lot of money coming out of fixed-rate into floating rate assets, and spreads in the floating-rate sector are tightening," said another trader.

INTERNATIONAL BONDS

In the sterling sector, Salomon Brothers issued £150m of five-year FRNs paying a coupon of three-month Libor plus 40 basis points.

According to one FRN dealer, the issue was generously priced and traded up after the syndicate broke. While UK rates are expected to continue falling, most participants say they are close to bottoming and will track US rates higher eventually.

Elsewhere, Austria's Girocredit Bank issued $100m of 10-year notes paying six-month Libor less ⅛ point and incorporating a 5⅛ per cent coupon floor. According to lead manager Merrill Lynch, the deal met strong demand and sold out in one hour.

Yesterday's two straight dollar bonds received a cooler welcome and were widely deemed to have been too aggressively priced.

Swedish Export Credit (SEK) issued $300m of three-year 5 per cent bonds, priced to yield 10 basis points over the new three-year US Treasury, via Kidder Peabody.

The Bank of Dutch Municipalities (BNG) issued $150m of 5 per cent three-year bonds priced to yield 13½ basis points over the three-year Treasury via Goldman Sachs.

The spread on both deals widened after syndicate broke, with the SEK bond yielding about 17 basis points over the Treasury and the BNG yielding some 19 basis points over in late trading.

However, the deals were largely targetted at retail investors and spreads are expected to tighten as the bonds get placed, one of the lead managers said. "Once they're on the retail buy-list, they should start to perform."

Another favourite retail borrower tapped the market in the afternoon. General Electric Capital Corporation issued £150m of 6¼ per cent bonds due December 1999 via Deutsche Bank.

They were priced to yield 19 basis points over the 6 per cent gilt due August 1999.

Given that the GECC bonds have a slightly longer maturity, "on the interpolated curve they look expensive", said one trader. However, an official at the lead manager reported solid interest from UK and continental European accounts.

The European Investment Bank issued the largest peseta bond in the Spanish Matador market, Pta50bn of 7.5 per cent seven-year bonds, and today is expected to launch its long-awaited Greek drachma bond via Midland Bank Athens and the Hellenic Industrial Development Bank.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Goldman Sachs Group‡	500	(a)	(a)R	Feb.1998	0.10R	-	Goldman Sachs Intl.
Swedish Export Credit	300	5.00	100.00R	May.1997	0.1875R	+10 (4¾%-97)	Kidder Peabody Intl.
Bank for Dutch Municipalities	150	5.00	99.93R	Mar.1997	0.1875R	+13½(4¾%-97)	Goldman Sachs Intl.
Girocredit Bank‡	100	(b)	99.875R	Mar.2004	0.50R	-	Merrill Lynch Intl.
Ipiranga(c)	80	(d)#	99.60R	Feb.2002	1.00R	+395(4¾%-97)	JP Morgan Securities
STERLING							
General Electric Capl.Corp.(e)	150	6.25	99.86R	Dec.1999	0.25R	+19 (6%-99)	Deutsche Bank London
Salomon‡	150	(f)	99.355R	Mar.1999	0.25R	-	Salomon Brothers Intl.
London & Manchester Group(e)	50	8.125	99.119R	Nov.2004	0.50R	+150(6¾%-04)	SG Warburg Securities
FRENCH FRANCS							
Soc. Gén. Acceptance‡	600	(g)	99.70R	Jun.2004	0.50R	-	Société Générale
PESETAS							
European Investment Bank	50bn	7.50	101.125	Mar.2001	1.75	-	Argentaria/Bco.Santander
SWISS FRANCS							
Bank in Liechtenstein Fin.‡	100	(h)	100.50	Mar.2000	-	-	Swiss Bank Corp.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Priced today at discount margin of 3-mth Libor +⅛%. b) 6-mth Libor -⅛%; min 5⅛%. c) Puttable on 25/2/97 at par. Callable on 25/2/97 at 100.37%. d) 8¾% for 1st 3 yrs and 10¾% thereafter. Long 1st coupon. e) Short 1st coupon. f) 3-mth Libor +0.4%. g) 6.5% fxd in 1st 6-mths and 15.2% - 1.85 x 3-mth Pibor thereafter. h) 4% fxd for 1st 2 yrs and 6-mth Libor -0.15%, max 7⅛%, thereafter.

Portugal bourses given options plan

By Peter Wise in Lisbon

Portugal's stock exchange commission (CMVM) yesterday proposed a restructuring of the country's two bourses as part of plans to create a futures and options market.

The CMVM aims to reconcile opposing bids by the rival Lisbon and Oporto bourses to set up a national derivatives exchange.

Mr Fernando de Costa Lima, CMVM president, said the commission proposed replacing the spot market in Oporto with a futures and options exchange and developing a national spot market in Lisbon.

The Lisbon and Oporto bourses compete with separate spot markets although more than 150 of the most liquid shares are quoted on a national continuous market for which Lisbon and Oporto act as separate trading floors.

Last year, the two exchanges presented rival projects for a futures and options market.

Mr Costa Lima said the two bourses should overcome their differences and co-operate in building two national markets for spot and derivative operations. He made the proposals with the backing of Mr Eduardo Catroga, Portugal's finance minister.

Ms Graca Carvalho, an analyst with Totta Dealer, welcomed the proposals as a means to end competition between Lisbon and Oporto for the same small market.

She said the Oporto exchange was better equipped to handle a derivatives market but Lisbon was unlikely to welcome the new market going to its rival. There was no reaction from the two bourses.

Many analysts believe Portugal's capital market needs to develop greater liquidity and transparency before a futures and options market would be successful.

However, Ms Carvalho said the new market would help generate more liquidity. The average daily volume of share trading in Lisbon is Es2bn ($11.4m), some 10 times higher than it was 18 months ago.

Russia opens T-bill market

Russia is to open its domestic Treasury bill market to foreign investors, allowing non-residents to take up to 10 per cent of the next bond issue on February 15, Reuter reports from Moscow. The finance ministry said it would put up Rbs100bn of three-month Treasury bills at this month's auction.

Russia's tiny small Treasury bill market has been restricted to domestic players. Turnover, about Rbs2.2bn a day over the past week, has fallen sharply as investors moved their assets into hard currency because of doubts about government economic policies. This year the rouble has fallen 25 per cent against the dollar.

Russian Treasury bills yield more than 230 per cent, up from about 185 per cent at the January auction.

Western emerging market portfolio managers have begun looking at investment opportunities in Russia's new financial markets. Treasury bills offer one possibility.

Foreign banks are interested in finance ministry bonds, issued last year to compensate domestic companies whose funds were frozen by the foreign trade bank of the former Soviet Union at the start of 1992.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/04	120.5500	+0.190	6.34	6.20	6.33
Belgium		7.250	04/04	104.7200	-0.030	6.60	6.44	6.47
Canada *		7.500	12/03	106.1000	-0.150	6.64	6.44	6.40
Denmark		7.000	12/04	106.4700	+0.100	6.16	6.06	5.90
France	BTAN	6.000	05/98	109.8000	-	5.35	5.10	4.95
	OAT	5.500	04/04	96.9900	+0.140	5.90	5.75	5.62
Germany		6.000	09/03	101.1900	+0.080	5.83	5.72	5.57
Italy		8.500	01/04	100.5200	-0.010	8.42†	8.29	8.57
Japan	No 119	4.800	06/99	107.6150	-	3.14	3.14	2.35
	No 157	4.500	06/03	107.5760	+0.600	3.43	3.52	3.01
Netherlands		5.750	01/04	99.7000	+0.100	5.79	5.66	5.56
Spain		10.500	10/03	117.0500	-	7.91	7.82	8.09
UK Gilts		9.750	01/98	113-05	-2/32	5.92	5.68	5.77
		6.750	11/04	101-09	-7/32	6.56	6.22	6.20
		9.000	10/08	119-26	-10/32	6.84	6.59	6.54
US Treasury *		5.750	08/03	98-16	-3/32	5.96	5.74	5.55
		6.250	08/23	97-17	-13/32	6.44	6.31	6.16
ECU (French Govt)		6.000	04/04	98.5900	-0.340	6.19	5.98	5.88

London closing, *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime rates

		Treasury Bills and Bond Yields			
		One month	3.17	Three year	4.82
		Two month	3.21	Five year	5.36
Prime rate	6	Three month	3.31	10-year	5.85
Broker loan rate	5	Six month	3.50	30-year	6.43
Fed.funds	3¼	One year	3.85		
Fed.funds at intervention	-	Two year	4.42		

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	128.54	128.70	-0.16	128.74	128.36	314,559	145,545
Jun	128.12	128.30	-0.16	128.30	128.04	11,200	20,990
Sep	127.36	127.54	-0.16	127.54	127.30	2,168	3,694

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
129	0.41	0.91	-	0.70	1.64	2.45
130	0.12	0.58	0.66	1.44	2.27	-
131	0.04	0.33	-	-	3.01	-
132	-	0.18	-	-	-	-
133	-	0.11	-	-	-	-

Est. vol total, Calls 30,527 Puts 72,594. Previous day's open int., Calls 324,608 Puts 340,588.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.67	99.20	+0.19	99.27	98.58	242316	187483
Jun	98.55	99.12	+0.21	99.13	98.51	4529	6909

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
9900	0.48	1.01	0.28	0.89
9950	0.25	0.77	0.55	1.15
10000	0.11	0.58	0.91	1.48

Est. vol. total, Calls 32017 Puts 41902. Previous day's open int., Calls 284173 Puts 221979

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	102.03	102.32	+0.09	102.32	102.02	1126	10227

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	117.90	118.49	+0.23	118.52	117.76	56133	84518
Jun	118.40	118.76	+0.22	118.54	118.38	623	7170

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
11800	0.81	2.52	0.32	1.76
11850	0.52	2.26	0.53	2.00
11900	0.30	2.00	0.81	2.24

Est. vol. total, Calls 2949 Puts 2089. Previous day's open int., Calls 52245 Puts 60851

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	105.90	106.26	+0.07	106.35	105.80	51,660	101,869
Jun	106.00	106.25	+0.01	106.23	106.00	265	9,766

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	115-21	115-29	-0-11	116-03	115-01	178228	134334
Jun	115-02	115-09	-0-11	115-10	114-15	2021	3105

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
115	1-16	2-03	0-22	1-49
116	0-42	1-36	0-48	2-18
117	0-19	1-11	1-25	2-57

Est. vol. total, Calls 14957 Puts 17747. Previous day's open int., Calls 109128 Puts 88847

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	119.74	119.94	-0.26	120.00	119.56	4,203	14,275
Jun	-	95.04	-0.26	-	-	-	203

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	114-22	114-16	-0.10	114-24	114-12	459,205	333,646
Jun	113-20	113-15	-0.09	113-21	113-11	13,571	25,291
Sep	112-22	112-20	-0.08	112-23	112-16	624	34,028

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	114.66			114.94	114.66	2048	0
Jun	113.70			113.73	113.64	80	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Feb 9	Day's change %	Tue Feb 8	Accrued interest	xd adj. ytd		Low coupon yield Feb 9	Low Feb 8	Low Yr. ago	Medium coupon yield Feb 9	Medium Feb 8	Medium Yr. ago	High coupon yield Feb 9	High Feb 8	High Yr. ago
1 Up to 5 years (25)	128.71	-0.19	128.96	1.67	1.23	5 yrs	5.91	5.82	6.50	6.17	6.07	7.01	6.26	6.17	7.20
2 5-15 years (21)	158.50	-0.42	159.16	1.67	1.97	15 yrs	6.76	6.66	8.10	6.84	6.78	8.58	7.03	6.94	8.85
3 Over 15 years (8)	163.01	-0.63	164.17	1.50	1.79	20 yrs	6.86	6.73	8.43	6.84	6.78	8.78	7.04	6.95	8.95
4 Irredeemables (6)	217.81	-2.73	223.93	2.84	0.00	Irred.†	6.94	6.74	8.82						
5 All stocks (60)	153.83	-0.41	154.46	1.75	1.67										

Index-linked	Wed Feb 9	Day's change %	Tue Feb 8	Accrued interest	xd adj. ytd		Inflation 5% Feb 9	Inflation 5% Feb 8	Inflation 5% Yr. ago	Inflation 10% Feb 9	Inflation 10% Feb 8	Inflation 10% Yr. ago
6 Up to 5 years (2)	189.58	-0.07	189.71	-0.38	1.41	Up to 5 yrs	2.38	2.35	2.19	1.56	1.51	1.40
7 Over 5 years (11)	189.04	-0.30	189.61	0.73	0.57	Over 5 yrs	3.08	3.04	3.64	2.89	2.87	3.48
8 All stocks (13)	188.16	-0.28	188.69	0.69	0.56							

Debentures and Loans	Wed Feb 9	Day's change %	Tue Feb 8	Accrued interest	xd adj. ytd	5 year yield Feb 9	Feb 8	Yr. ago	15 year yield Feb 9	Feb 8	Yr. ago	25 year yield Feb 9	Feb 8	Yr. ago
9 Debs & Loans (68)	153.14	-0.97	154.63	3.03	0.56	7.76	7.65	8.71	7.85	7.74	9.67	7.90	7.80	9.90

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 9	Feb 8	Feb 7	Feb 4	Feb 3	Yr ago	High*	Low*
Govt. Secs. (UK)	104.11	105.05	104.36	105.03	105.56	95.06	107.60	93.28
Fixed interest	128.67	129.73	129.66	131.47	131.80	110.65	133.87	108.67

* for 1993/94. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Feb 8	Feb 7	Feb 4	Feb 3	Feb 2
Gilt Edged bargains	140.4	132.1	136.1	122.7	96.5
5-day average	125.5	119.7	112.9	114.9	117.5

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on February 9

	Issued	Bid	Offer	Chg.	Yield
[illegible]					

UK GILTS PRICES

[illegible]							

Other Fixed Interest

[illegible]					

Trifast for market with £32m tag

By Andrew Baxter

Trifast, the Sussex-based manufacturer and distributor of industrial fastenings, will be capitalised at £31.7m when it comes to the market later this month.

James Capel, brokers for the flotation, said yesterday that the placing of 7.87m ordinary shares would be priced at 200p per share.

Dealings begin on February 16.

The placing, which has been received enthusiastically by institutions, will reduce the stake of the two founders, Mr Mike Timms and Mr Mike Roberts, from a total of 90 per cent to 40 per cent of the enlarged capital, split equally between them.

Existing shareholders will have 8 to 8.5 per cent of the company, leaving new shareholders with 51.5 to 52 per cent.

Trifast has said it expected pre-tax profits on ordinary activities would not be less than £2.55m in the year ending March 31, compared to £1.98m in 1992-93.

On the basis of forecast earnings per share of 12.1p for the current year, the placing price represents a p/e ratio of 16.5.

The placing will raise £15.7m, of which £12.2m will go to Mr Timms and Mr Roberts. The rest will be used by the company to reduce debt and purchase new freehold premises next to its head office in Uckfield.

Mr Malcolm Diamond, Trifast's managing director, cited a number of reasons for the company's optimism on future prospects:

- Investment in new business teams in the UK and Singapore are expected to provide an increasing return from 1994.
- Overseas and export activities are increasing following the establishment of a coherent strategy combined with making resources available.
- Considerable scope exists for increased market penetration for both fastener management agreements and for niche products.
- The fragmented UK fastener market gives opportunities to develop greater market influence through organic growth and acquisitions.

Grahams Rintoul to be restructured

By Bethan Hutton

Grahams Rintoul Investment Trust, management of which was taken over by Lazards last year, is to be restructured and its name changed to the Lazard Smaller Equities Investment Trust.

American Express Bank is to sell off its majority stake in the trust, after converting 2m of its stepped preference shares into 1.6m ordinary shares. Its entire holding of ordinary and stepped preference shares has been placed with institutions, subject to shareholders' approval at an extraordinary meeting on March 7.

The increasing dividend entitlement of the stepped preference shares has not been covered over the last three years and has forced the fund's managers to concentrate on picking high-yielding stocks. Reducing the number of such shares will give greater flexibility to invest for capital growth as well as income.

The restructuring will increase the capital and income cover of remaining stepped preference shares, but will decrease the net asset value per ordinary share. However, the company says that the dividend savings will amount to £5.3m over the remaining 19 year life of the shares, and the benefit of this will fall to the ordinary shareholders.

In the year to December 31 1993, the net asset value per ordinary share increased by 50 per cent to 170.9p, and during January 1994 rose by a further 14.6 per cent. A single dividend for the year of 0.25p is proposed.

The trust is not recommending that any further shareholders take up the option to convert, as this would involve loss of both income and capital.

Merger for Essex and Suffolk Water

Two water companies controlled by Lyonnaise des Eaux Dumez of France are to be merged, in a culmination of the rationalisation process set in train by the industry regulator three years ago.

Essex Water and Suffolk Water, which distribute clean water to those regions, yesterday said the merger would "improve the existing standards of service to customers" and provide greater efficiency.

The enlarged company will have turnover of about £45m. Profits after tax in 1993 were approximately £18.6m at Essex and £4.3m at Suffolk.

It is proposed that Essex offer 55 new shares for every 100 Suffolk with a cash alternative of £10.

Suffolk's 11.5 per cent redeemable debenture stock holders will be offered £101 of new debenture stock for every £100 held.

Grosvenor Inns seeks £5.2m for purchases

By Nigel Clark

Grosvenor Inns, the public house operator, is raising a net £5.2m through a rights issue and is buying six pubs.

The USM-traded group also announced pre-tax profits up from £319,000 to £358,000 in the six months to November 27.

Four pubs in Essex and Hertfordshire are being purchased from CH Webster for £3.3m cash. In the year to September 30 they made a pre-tax profit of £71,000 (loss of £24,000) on turnover of £1.27m (£1.2m).

Two Hedgehog pubs in Hove and Southampton are being bought from Mr David Bruce, a director of Grosvenor, for £400,000 in shares. In the 15 months to June 30 they incurred a pre-tax loss of £21,000, against £11,060 for the previous 12 months, on turnover of £898,000 (£749,000).

Grosvenor is issuing 4.87m shares at 120p on a 3-for-5 basis. Part of the cash will be used to finance the purchase with the balance going towards further acquisitions.

The shares gained 7p to 170p yesterday.

Following the purchases, Grosvenor will operate 37 pubs, of which nine are freehold and 16 free of tie.

The result was achieved on turnover of £4.51m (£3.52m). During the period it bought six pubs. The pre-tax figure was achieved after exceptional costs of £45,000 relating to compensation for loss of office of a former director.

Earnings per share were 2.9p (2.8p). The interim dividend is raised to 2.25p (2p) and a final payment of 2.5p (2.25p) is forecast.

During the period Mr Bruce, founder of Bruce's Brewery and the Firkin pub chain, joined the board to develop a new subsidiary called Belcher's Pubs.

Tullow Oil in I£6m placing and offer

Tullow Oil, the Dublin-based oil and gas exploration and development company, is raising up to I£6m (£5.8m) through a placing and open offer of up to 27.3m new ordinary shares at 22p each.

Some 18.1m new shares are being conditionally placed with institutional and private investors. The placing has been fully underwritten.

The offer to existing shareholders is of up to 9.25m shares on a 1-for-16 basis.

Tullow also announced operating profits of I£1.66m for 1993 (I£112,591 losses). Pre and post-tax profits were I£1.08m against I£1.63m which included a I£2.31m profit on the sale of licence interests. Turnover rose to I£3.42m (I£1.3m). Earnings declined to 0.73p (1.12p).

The company, currently traded on the USM, intends to apply for admission to the Official List.

Kleinwort European at small premium

By Bethan Hutton

Shares in the Kleinwort European Privatisation Investment Trust, which was £380m oversubscribed in its public offer last week, in effect went to a small premium in the first day's trading yesterday.

The shares were issued part paid at 50p, with one warrant attached to every five shares. The shares closed yesterday at 43½p, and the warrants traded separately at 43p, giving a package price for a share and a fifth of a warrant of about 52p, a premium of 4 per cent. Kleinwort said this was "encouraging", but in line with expectations.

Smith New Court said trading in the shares had been heavy, with volume of 58m, plus 8.7m in the warrants. A total of 500m shares have been issued in the trust, which was the largest UK investment trust launch on record.

Kleinworts would not comment how much of the initial amount raised had been invested so far, but said that purchases were on target. The trust will invest in companies privatised within the last five years, in the UK as well as the rest of Europe, in addition to taking advantage of new privatisations as they crop up.

The partly-paid structure was intended to allow gradual investment of the fund. The remaining 50 per cent of the share price is due on August 1.

Tex Holdings

Tex Holdings said that as there had been no sustained improvement in the second half, the board expected a profit for the year to March 31 1994, but it would be below market expectations.

Vodafone

The £2.6m pre-tax loss for 1992 attributed to Compagnie Générale des Eaux in yesterday's FT was in fact that incurred by its General Mobile Communications subsidiary, in which Vodafone has taken a one third stake.

Dedicated to taming a less than 'soft' option

Alan Cane on Sema's role in packaged software

Mr Pierre Bonelli, managing director of Sema Group, listed four reasons why the Anglo-French computing services company is in the packaged software business and added with a laugh: "I know this speech very well because I have given it to the board so many times. Come back next year and I will have ten reasons."

Mr Bonelli describes Sema's performance in packaged software as only "moderately successful" despite millions of pounds spent in research and development. By comparison, the group, Europe's third largest indigenously-owned computer services company, has demonstrated both strength and depth in systems integration and facilities management over the past few years.

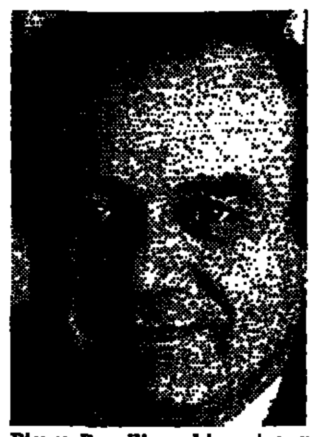
Next month it is expected to publish results for 1993 showing growth in both revenues and profits. In 1992 pre-tax profits increased by 39 per cent to £19.4m, on revenues of £416.7m.

Analysts predict strong growth in 1994. Sema seems, therefore, to be successfully navigating the choppy waters of the recession and the slowdown in the computer industry, while many of its competitors are bailing furiously.

Mr Bonelli attributes the company's sustained profitability to strategic decisions made in 1989, the year following the merger of CAP Group of the UK and Sema Metra of France. The group decided to concentrate on three sectors – systems integration, facilities management and software packages.

It was an unusual move: "In the 1980s, few computer services companies thought about strategy; times were good and business was plentiful. There was no reason to pick and choose," Mr Bonelli says.

The plan was to earn 60 per cent of revenues from systems integration, 25 per cent from facilities management and 15 per cent from packages. Today, the ratio is 70:20:10, indicating that the company has failed fully to achieve its ambitions in packages.



Pierre Bonelli: seeking strong position in package market

Mr Bonelli claims the company is the European leader in systems integration, which he defines as building complex systems for large customers.

"This is our most profitable activity, our basic livelihood. We are a key player in combat management systems, where our customers include the Royal Navy, in control systems for nuclear plant, in stock exchange back office systems and in banking systems.

"Now we are seeking new niches in which we can achieve some kind of dominance."

The wish list includes air traffic control, airline reservation systems, global distribution and telecommunications.

Sema is jealous of its reputation as prime contractor for large projects of this kind. It is seething over suggestions that it is responsible for delays to the Schengen free-travel computer system in Strasbourg. It is prime contractor for the central system only. Mr François Dufaux of Sema said the problem was that no single contractor had responsibility for managing the overall project.

Sema has also enjoyed success with the second leg of its strategy – facilities management. FM involves taking responsibility for part or all of a customer's computer systems, providing an agreed level of service for a fee.

A weak spot, however, is France. Sema and International Business Machines had merged their FM operations in a joint venture called Axone. IBM bought out the computing services company last year: "We got a good price, but it left us with nothing in France," Mr Bonelli complains.

The UK is a second problem area. Sema has won some good contracts, but it is having difficulty persuading the government that it is capable of managing the largest of the market-testing contracts – the Inland Revenue computer systems contract which went to Electronic Data Systems, for example. "If we can handle BP world-wide, we can handle the Inland Revenue." Mr Bonelli sniffs.

He thinks the company's credibility with governments should be enhanced by its £20m purchase last year of the information technology operations of the Swedish state-owned SKDforetagen.

Packaged software remains the chief problem. Sema moved into packages because it was a fast growing market sector. It was also anxious to expand business with multinational manufacturing companies which are big package users.

But packages companies and systems integrators are culturally very different. Sema bought a German packages company, ADV Orga, to bridge the gap, but with only partial success.

It is continuing to spend several million pounds a year, in co-operation with IBM, to refine I-Linie, a large scale industrial management package.

Mr Bonelli agrees that the strategy has been expensive. "There has always been a temptation to get out, but I believe the effort is worthwhile. As long as our board and shareholders go along with us and we continue to do well in systems integration and facilities management we ought to apportion that amount of our resources to get a strong position in the package market."

Abandoning packaged software would have an immediate effect on the level of earnings per share, but Sema has never favoured short-term solutions.

NEWS DIGEST

Fleming Overseas lifts assets

The Fleming Overseas Investment Trust had a net asset value of 360.6p per share as at December 31, up some 18 per cent on the figure of 306.6p reported six months earlier.

The year-on-year improvement, against a value of 271p, was 33 per cent.

The trust, which seeks capital appreciation, easily outpaced its benchmark – the FT-A World Index excluding UK in sterling terms – which rose just 4.7 per cent over the latest six month period.

Sir Philip Haddon-Cave, chairman, said the outperformance reflected an underweight position in Japan and exposure to south-east Asia and emerging markets. "These gains have resulted almost entirely from underlying strength in equity markets, rather than from currency changes".

Available revenue amounted to £2.53m (£2.87m) pushing earnings per share down from 2.16p to 1.91p. The interim dividend is maintained at 1.5p.

- The Fleming Enterprise Investment Trust, which concentrates on achieving capital growth from medium-sized UK companies, reported a net asset value of 231.7p at end-December, up from 199.9p six months earlier and 170.7p at the end of 1992.

Net revenue for the half-year amounted to £1.22m (£734,000), equivalent to earnings of 3.05p (1.83p) per share. The interim dividend is raised to 1.4p (1.3p).

Saints boosts net asset value by 24%

Scottish American Investment – Saints to the stock market – yesterday reported a 24 per cent expansion in net asset value per share, from 152.2p to 188.3p, over the 1993 year.

Net revenue dipped to £10.3m (£10.6m), for earnings of 4.61p (4.73p) per share.

A recommended final dividend of 1.18p brings the total for the year to 4.63p (4.35p).

Elbief mounts modest recovery

Reduced overheads and increased production helped Elbief, the manufacturer of photograph and handbag frames, mirrors and clocks, to report lower interim losses.

On turnover marginally ahead at £1.95m (£1.9m), losses for the six months to October 31 narrowed to £138,000 (£244,000).

Directors said domestic sales had shown a marked improvement, especially to high street multiples, but exports, particularly to Europe, remained depressed.

Further cost reductions were being sought.

Losses per share were 0.11p (0.2p).

Grafton makes £2.5m acquisition

Grafton Group, the Dublin-based builders merchant, is buying Thrower Brothers Group (Holdings), a plumbing merchant and fasteners distributor, for £2.5m cash.

Thrower reported pre-tax profits of £209,341 on turnover of £7.3m for the year to March 31. At the period end net assets were £1.48m.

Triplex Lloyd in £6.5m disposal

Triplex Lloyd, the industrial engineering group, is disposing of further building products subsidiaries in a deal worth £6.5m cash.

JBS Industries is acquiring Hillaldam Coburn, Hillaldam Coburn (Ireland), Solair and Nico, which in the year to March 31 reported combined operating profit of £500,000 on sales of £11.3m. Net assets at completion are expected to be about £4.3m.

The proceeds of the disposal will be used to develop its core activities – automotive and power – and reduce debt.

Losses of £2.3m at its Hinchliffe subsidiary meant that in the six months to end-September group pre-tax profits were cut by 56 per cent to £1.45m.

Warrants and Value shows 65% growth

Warrants and Value Investment Trust raised its net asset value per share by 65 per cent from its launch last March to the end of 1993.

The shares were issued at 25p and after expenses, initial asset value was 24.18p, which had increased to 39.97p by the year-end. The advance compared with a total return of 34.2 per cent on the FT-SE-A Investment Trust index.

Net revenue for the period was £34,000 and earnings per share came to 0.04p. As stated at the time of the listing, the company does not intend to pay a dividend.

Govett Emerging sets conversion rate

Govett Emerging Markets Investment Trust yesterday announced that following its listing in November, all the C shares will be converted into ordinary shares at the close of business on February 25 at a rate of 0.677.

One new warrant will be issued for every five new ordinary shares arising on conversion. The total number of new ordinary shares and new warrants to be issued will be 11.8m and 2.4m respectively.

Dealings in the new shares and warrants are expected to start on February 28.

Frogmore pays £10m for two properties

Frogmore Estates has bought two properties – a residential scheme and an office building – for almost £10m.

The company said both properties reflected its philosophy of investing a proportion of its resources in purchases that had substantial future potential for capital enhancement, but currently yielded no income.

With its joint venture partner, Pamlion Properties, Frogmore is acquiring Inverforth House and the adjoining Inverforth Close, at Hampstead Heath, London.

Frogmore has also acquired the recently completed 46,500 sq ft Imperial House office building in Stevenage, Herts.

Saville Gordon in £7.1m purchase

J Saville Gordon Group, the property investment company with merchanting interests, has purchased a portfolio of three industrial, two office and two retail properties for £7.12m cash.

The properties are located in Reading, Woking, Brentwood, Hitchin, Letchworth, Warwick and Leeds and are freehold, except for one property which has a long leasehold interest.

All the properties are fully let and producing a net annual rental income of £757,025. The vendor was the NFC Pension Trustees.

Kleinwort Overseas net assets up 30%

Kleinwort Overseas Investment Trust raised net asset value by 30 per cent from 224.64p to 292.08p in 1993. The company pointed out that this compared with a capital return of 22.6 per cent on the FT-SE-A World Index.

Net profits climbed 8.5 per cent from £2.84m to £3.08m, equivalent to earnings of 3.84p (3.54p) per share. The recommended final dividend is 1.9p, making a total of 3.4p (3.3p).

NEWS IN BRIEF

ANDAMAN RESOURCES shareholders have subscribed for 3.08m new ordinary shares at 10p each, representing 66 per cent of the open offer. The balance of 1.57m shares has been placed by brokers.

FRENCH CONNECTION is acquiring the leasehold interests of 249 Regent Street, London, and the basement, ground and fourth floors of 251 Regent Street, for £100,000 from Touche Ross.

GANDER HOLDINGS shareholders have taken up 86 per cent of the rights issue of 44.9m ordinary shares at 6p each. The balance of 6.32m shares has been placed by Shaw & Co.

MR-DATA Management Group, has bought the laser printing bureau of PCL Group for an initial £672,400 cash. Further payment up to a maximum of £904,600.

OIS INTERNATIONAL Inspection has agreed to pay up to £37,000 cash for Everard Pipelines (UK), depending on performance.

Westland shares up 7.5% on bid rejection

Shares in Westland climbed 7.5 per cent yesterday after the Yeovil-based helicopter manufacturer formally rejected the hostile £496m takeover bid launched by GKN, the engineering and industrial services group, writes Tim Burt.

Speculation that GKN would have to improve its offer pushed Westland shares up from 307p to 330p.

Shareholders have been offered 290p per ordinary and preferred share, 354.8p for each convertible preferred share and 208.3p for each warrant, all payable in cash with a partial share alternative.

Westland said the bid – which GKN plans to fund partly from its own resources and partly from a 1-for-5 rights issue raising £248m – would be vigorously contested.

Mr Alan Jones, chief executive, said: "The GKN bid brings nothing extra to Westland that it does not already possess. Its offers clearly undervalue the business and appear principally designed to address GKN's tax problems."

Following his statement, the share price climbed to 333p before falling back slightly. It closed at a 14 per cent premium to the 290p offer – already accepted by United Technologies, the US parent of Sikorsky helicopters, which is selling its 18.7 per cent stake to GKN for £75m.

Analysts said demand for Westland shares had been fuelled by expressions of support from leading institutional shareholders.

Mr Richard Hughes, director of investment management at M&G – which holds 12 per cent of the company – said although the 290p offer was acceptable to UTC, "it remains to be seen whether it's good enough for the other shareholders".

The helicopter manufacturer is also understood to have received the backing of Schroders, which holds 13.5 per cent and acts as its financial adviser, and Royal Insurance, which holds 4 per cent.

Mr Paddy Ashdown, the Liberal Democrat leader whose Yeovil constituency includes the Westland plant, also came out against the GKN bid.

"It fails to give assurances about the future of the workforce and does not promise to maintain the integrity of the Westland product range," he said.

Shares in the engineering group – whose core business involves automotive components, armoured vehicle production and pallet hire – fell 16p to 566p.

A marriage proposed for tax reasons?

Tim Burt looks at the rationale behind GKN's hostile £496m offer for Westland

GKN lets the television news justify its proposed marriage of helicopter and armoured vehicle production.

From Bosnia to Somalia, the recurring image of light tanks escorting the sick and wounded to waiting aircraft, or helicopter gunships assisting ground forces, pays testament to the natural alliance of the two sectors.

That, at least, is the stated rationale of the engineering and industrial services group which is courting Westland, Britain's only helicopter manufacturer.

Westland's institutional shareholders and a growing number of City analysts, however, have not been appeased by claims that the changing post-cold war environment has created a ready market for manufacturers of rapid response military vehicles.

"We cannot see any synergy between GKN and Westland," one leading institutional shareholder said yesterday.

GKN's real motive, they suggest, is not the determination to exploit sales potential in the world's 40 areas of conflict. Instead, the £496m bid for Westland camouflages a deal engineered by the group's tax advisers, not its military strategists.

Combining Westland's lucrative spares and overhaul business with GKN's existing defence and engineering operations would enable GKN to increase the proportion of UK sales to 40 per cent of turnover.

In turn, the Yeovil-based group's pre-tax profits – up 22 per cent to £30.5m in the 12 months to October 1 last year – would enable GKN to recover a mountain of pent-up advance corporation tax.

The prospect of recoverable ACT was arguably the most significant factor in persuading the engineering group to increase its stake in Westland and make a full bid rather than sell out to other potential suitors such as British Aerospace.

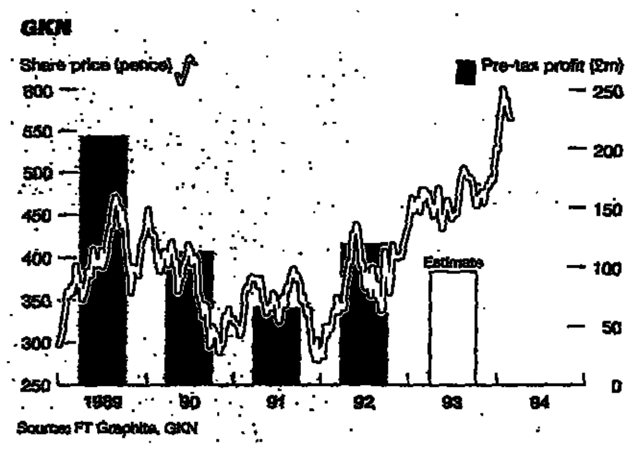
In 1992, GKN wrote off £132.6m in recoverable ACT and made another sizeable provision last year. And, as Sir David Lees, GKN's chairman, admitted this week, releasing those funds "should impact favourably on the group's overall corporation tax rate."

Although Westland is expected to contribute only about £300m to GKN's total sales of £2.5bn, the promise of a 5 percentage reduction in the overall tax ratio proved an arresting proposition.

"The reason for doing this deal is purely financial," according to one engineering analyst. "The idea of a defence synergy between armoured vehicles and helicopters is a bit far fetched."

That view was echoed by a leading defence industry analyst, who added: "It's all about the tax angle. It changes GKN's risk profile, but I'm not sure they realise the difficulties of the aerospace industry."

GKN, meanwhile, has difficulties of its own. Its recent performance has been hampered by increasingly tough trading conditions, particularly in automotive components which account for 58 per cent of sales.



Source: FT Graphite, GKN

Weak demand from the European car industry pinned pre-tax profits at £60m (£60.9m) in the first half of 1993, and prospects for the full year have been hit by heavy redundancy and restructuring costs.

Those charges are expected to result in 1993 pre-tax profits falling by more than 20 per cent to £97m.

Against that background, and GKN's commitment to dispose of peripheral activities, the potential contribution of an enlarged defence division is by no means assured.

Westland brings with it a £1.45bn order backlog, but it has only one firm order for its flagship, the EH101 helicopter, developed jointly with Agusta of Italy.

The civilian market for such aircraft is small and shrinking, and defence analysts question whether the EH101, costing at least £30m each, will prove an economic option as military spending comes under increasing pressure.

GKN was only persuaded last summer that there was still life in its defence business when Kuwait ordered 200 Warrior armed vehicles.

Up to then, it had been considering disposing of the defence arm. Had it done so, it would have presaged the strategy later followed by BAe, which came to the conclusion that defence, aerospace and automotive engineering do not sit happily together.

Yet Sir David Lees has changed his mind and now believes that Westland and an export-driven armoured vehicle division can push group turnover beyond £3bn.

However, overseas sales, the main driving force behind the potential success of a reinvigorated defence business, could be undermined by a rumbling dispute with Arab governments which GKN would inherit with Westland.

Last year the helicopter manufacturer was awarded £385m damages against the Arab Organisation for Industrialisation over the 1980 decision by Saudi Arabia, Qatar and the United Arab Emirates to abandon a helicopter order. Trying to tease that money out of potential Middle East customers is a risky prospect for GKN if it is relying on the Kuwaiti order for Warriors to lead to greater things.

Nevertheless, the group is committed to winning outright control of Westland and is in a strong position to do so having secured United Technologies' 18.7 per cent stake.

With 47 per cent of the company already in its pocket, GKN thinks it can convince the institutions that the company's best interests lie in a diversified group with a track record of forging joint ventures and overseas collaborations.

Such ventures could offset potential difficulties with Arab customers. But with speculation that Sir David Lees wants Westland mainly to improve his own group's tax profile, the institutions will seek an improved offer before selling.

As one institution said yesterday: "He will have to do better if he wants to see GKN helicopters and armoured vehicles working in concert."

Owners Abroad hit by £12m exceptional costs

By Michael Skapinker, Leisure Industries Correspondent

Owners Abroad yesterday announced profits before tax and exceptional items of £17.8m for the 12 months to October 31, compared with £30.4m the previous year.

Mr Francis Baron, chief executive, said £12m of exceptional items had pulled the pre-tax profits figure down to £5.8m (£25.5m).

Mr Baron said £4.9m of the exceptional costs were attributable to the successful defence last year to a takeover bid by Airtours, its rival, the establishment of its strategic alliance with travel agents Thomas Cook and other professional fees.

A further £1.5m of exceptional costs arose from compensation paid to former directors of the group. Mr Howard Klein, chairman, Mr Roger Allard, managing director, and Mr Geoffrey Stone, finance director, resigned last year.

Mr Baron would not say how the compensation was divided between the three.

Francis Baron: taking action to restructure the group

The remaining costs related to property provisions in the UK and Spain.

Turnover fell 6 per cent to £710m as a result of holiday price discounting and reduced airline revenues.

Cash balances at the year-end were £100.3m, compared with £98.4m.

● COMMENT

The City was cheered yes[terday] by the absence of any [pre]viously undisclosed bad ne[ws]. Mr Baron is also widely see[n to] be taking appropriate action [to] restructure the group. A ca[use] for concern, however, is h[ow] Thomson and Airtours, [the] group's larger competito[rs,] plan to respond to Own[ers] Abroad's new management. [Mr] Baron said Lunn Poly a[nd] Going Places, the larg[er] groups' travel agents chai[ns,] had damaged Owners Abro[ad] last year by pushing Thoms[on] and Airtours holidays. Own[ers] Abroad's link with Thom[as] Cook gives it some advantag[e] but does not allow it [to] respond fully in kind. Expect[ed] 1994 profits of £21m and ear[n]ings of 7.4p put the group on [a] prospective multiple of 1[...] which is probably generou[s]. Most analysts, however, do n[ot] expect restructuring benefit[s] to show through until 1995 when expected £27.5m profit[s] and earnings of 9.7p provid[e] a more realistic multiple o[f] 12.

Receivers called in at FMT

By Andrew Baxter

Receivers have been called in at FMT Holdings, the former Vickers subsidiary which is viewed as one of the last global competitors in the British-owned machine tool industry.

Ernst & Young, the accountancy firm, has been appointed receiver at the Brighton-based company, whose chairman, Mr Mike Bright, is one of the the best-known figures in the industry.

Few details were available last night, but news of the receivership was immediately described by observers as a "disaster" for the industry.

FMT is one of the few British producers to compete head-on with the much larger Japanese and German machine tool builders in high-technology machining centres, linked together by computer control to create flexible manufacturing systems.

The timing of the receivership was a shock to the industry – many UK producers have recently been expressing cautious optimism after three years of recession.

FMT even held a press conference last week to display new products, and according to one observer, appeared to be relatively busy.

It is understood that the company is continuing to trade, but that the receivers have already made about 20 redundancies this week. The workforce, which stood at 400 in 1990, had been cut to about 150 as Mr Bright struggled to keep the company afloat.

The receivership threatens to end some 30 years of UK investment in the highest level of computer-controlled machine tools. The company began as CVA, and as Kearney, Trecker and Marwin it once employed 2,000 people with several factories in Sussex.

In the 1980s, the company, then called KTM, was a subsidiary of Vickers, but in 1988 Mr Bright and five senior managers bought it from the luxury cars and engineering group in a £10.6m buy-out.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Flem Enterprise ....int	1.4	Apr 5	1.3	-	4.7
Fleming Overseas.......int	1.5	Mar 25	1.5	-	4.2
Grahams Rintoul ....fin	0.25	Mar 31	0.25	0.25	0.25
Grosvenor Inns §.........int	2.25†	Mar 25	2	-	4.25
Lloyds Abbey ....fin	11.7	May 3	11	18	17.3
Owners Abroad ....fin	2.1	Apr 15	2.52	3.5	3.5
Saints ....fin	1.18	Apr 5	1.11	4.63	4.35

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

Wilton plans Chinese-speaking channel

The Wilton Group, a UK-quoted company, is planning to launch a satellite channel for the Chinese-speaking communities of western Europe, writes Raymond Snoddy.

The channel will be broadcast on the Astra satellite and will be a subscription service.

Wilton will take about 80 per cent of the Chinese Channel. The remainder will be owned by the Shaw Media Corporation of Hong Kong.

A majority of the Chinese language programming will be supplied by Television Broadcasts, the Hong Kong broadcaster.

The aim is to begin a limited service next month and build up to 12 hours a day by the autumn.

The company, to be based in London, will broadcast predominantly in Cantonese, although there will also be programmes in Mandarin and Vietnamese.

The service will be aimed at the estimated 850,000 Chinese living in Europe, where the main population centres are the UK, France and the Netherlands.

Wilton is planning to change its name to Cinecom and concentrate on the media, following a substantial investment by Mr Clive Ng, a businessman of Malaysian background.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 10.02.94: Pool purchase price £/MWh	Final Prices for Trading on 13.01.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.20	22.73	24.23
0100	18.54	25.29	26.79
0130	18.62	25.29	26.79
0200	18.62	25.29	26.79
0230	19.62	25.29	26.79
0300	18.62	25.29	26.79
0330	18.54	25.29	26.79
0400	17.22	25.29	26.79
0430	17.19	23.39	24.88
0500	17.15	23.39	24.88
0530	17.18	22.57	24.07
0600	17.18	22.57	24.07
0630	17.19	22.57	24.07
0700	19.55	23.16	24.66
0730	20.18	23.19	24.68
0800	20.18	24.73	26.23
0830	20.39	24.73	26.23
0900	25.50	24.73	26.23
0930	25.51	24.73	26.23
1000	25.51	33.00	34.50
1030	26.50	33.00	34.50
1100	20.40	24.73	26.23
1130	20.40	24.73	26.23
1200	20.40	33.00	34.50
1230	20.40	33.00	34.50
1300	20.39	24.73	26.23
1330	20.18	24.73	26.23
1400	17.42	23.77	25.27
1430	17.40	23.50	24.99
1500	17.40	23.50	24.99
1530	17.39	23.20	24.70
1600	17.43	23.50	25.00
1630	22.33	28.28	29.82
1700	21.59	30.21	32.10
1730	36.26	40.06	41.34
1800	38.14	39.89	41.74
1830	36.48	36.58	38.17
1900	33.35	27.18	28.64
1930	22.79	27.09	28.59
2000	21.67	26.23	27.72
2030	21.05	24.79	26.29
2100	20.57	23.50	24.99
2130	20.57	23.50	24.99
2200	20.57	23.50	24.99
2230	17.36	23.50	24.99
2300	17.20	23.10	24.59
2330	17.15	18.09	18.09
2400	17.10	18.07	18.07

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-[illegible] between 8:30am and 5:15pm Monday to Friday.
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COMMODITIES AND AGRICULTURE

French blamed as UK pig industry 'bleeds to death'

By Deborah Hargreaves

The European Commission is being urged to investigate French payments of alleged state aid to pig producers, which the National Farmers' Union says is causing the British pig industry to bleed to death.

In a letter to Mr Rene Steichen, agriculture commissioner, yesterday, Mr David Naish, president of the NFU, said farmers were angry at the "apparent lack of political will to investigate possible state aids paid by the French government to its pig industry".

Pork prices collapsed across the European Union last year following an expansion of herds in France, Denmark, Spain and to a lesser extent, the UK. EU pig meat production rose by 4 per cent last year to 14.9m tonnes.

The British Pig Association estimates that farmers are losing £12 per animal – equal to 20 per cent of gross returns.

Mr Naish's letter said that producers accepted that the industry was cyclical and that there would be phases when prices were depressed. "But it is absolutely intolerable if member states are allowed to distort the operation of the common market organisation by paying illegal state aid."

The French government has introduced several measures to assist pig farmers since last September and British producers claim the government is paying roughly FFr370m in financial aid. Estimates put the expansion of the French pig herd at about 18 per cent, which British farmers claim is not justified by current prices.

British pig output increased by about 3 per cent last year, but Mr Grenville Welsh, chief executive of the pig producers group, expects a drop in production of at least 8 per cent by the middle of this year. "We're looking at maybe 2,000 to 3,000 producers going out of business," he said. The UK currently has 11,500 pig farmers.

UK pig farmers have been caught in a squeeze caused by the aftermath of devaluation of sterling, which raised the price of feed, and its subsequent recovery, which was making pork exports to Europe uncompetitive. Ministry of Agriculture figures show that pig farm incomes almost halved last year while overall farm earnings were up 40 per cent.

The NFU has pressed the commission for action to alleviate market pressure and provide producers with a breathing space while supply adjusts to balance demand.

Producers are particularly irked that retail prices have not fully reflected the drop in pork prices to farmers. The producers' association has urged the Pork and Bacon Promotion Council to start an advertising campaign in an effort to boost sales.

Doubt cast on Chilean copper deal

By Jason Webb in Santiago

A shadow was cast over the $1bn El Abra copper project in Chile yesterday when the two north American partners said that tests they had made to confirm previous estimates showed reserves might be significantly lower than previous data suggested.

El Abra had previously been expected to become one of Chile's largest copper mines, producing an annual 225,000 tonnes.

Lac Minerals and Cyprus Amax, who last year agreed to pay Codelco, the state-owned Chilean group, $404m for a 51 per cent stake in El Abra and to spend $307m on the project, said they would do more assay test work, which would take another six to eight weeks.

However, Mr Jorge Bande, Codelco's vice-president of development, warned that if the North American companies reduced their offer too drastically his company might look for new partners. But it was unlikely this would be necessary, he added. Codelco so far was "very happy" with Lac and Cyprus.

The partners would look again at core samples taken from drilling between 1973 and 1975 at the El Abra site, in the Atacama desert, which provided the basis for Codelco's estimates of copper oxide reserves of 500m tonnes containing 1 per cent copper, Mr Bande said. "This is absolutely normal for such a big project," he added.

International consortium to seek oil in China's Tarim basin

By Tony Walker in Beijing

Agip of Italy and Texaco of the US, at the head of an international oil consortium, have initialled an agreement to explore in the vast Tarim basin area of China's remote western region.

Mr William Doyle, Director of Texaco China, described the 9,814 sq km Tarim bloc as a "world class opportunity" for the five-member partnership, in which Agip will be the operating company.

Other members of the consortium include Elf of France and two Japanese companies – Japan Energy Company and the Japan Petroleum Exploration Company. Each partner will have 20 per cent.

Mr Doyle said he was aware of suggestions that China was offering less prospective areas in the Tarim basin to foreign participation, but Texaco was "very pleased" with the potential of its concession, which lies at the western end of five being made available to foreign companies.

China announced about a year ago that it was inviting foreigners to explore in promising onshore areas including the Tarim, which had long been eyed by the international petroleum industry as potentially "one of the world's last great oil plays".

Response from foreign companies has been lukewarm, however, compared to the enthusiasm that greeted the opening of China's offshore areas in the early 1980s. Among factors dampening enthusiasm have been worries about lack of infrastructure in the Tarim and uncertainty about the construction of a pipeline to transport oil from the remote region.

Mr Doyle said he was confident that if oil was discovered in commercial quantities that the Chinese would ensure that transport would be facilitated. He estimated a 2,000km pipeline across some of the world's roughest terrain would cost "several billions".

Texaco has been relatively successful in its Chinese ventures. With its partners Agip and Chevron of the US, it is producing 60,000 barrels a day in the South China Sea. The American company recently signed agreements to explore in the East China Sea south of Shanghai. It is also involved in exploration in the Bohai Gulf, south-east of Beijing.

Enterprise to finance North Sea exploration

By Karen Fossli in Oslo

Enterprise Oil Norge, the Norwegian unit of London-based Enterprise Oil, yesterday announced that it would fund a NKr400m (£36m), three-year Norwegian North Sea exploration programme in exchange for the right to farm into three licences operated by Esso Norge.

The deal boosts Enterprise's net acreage on the Norwegian Continental Shelf by 25 per cent, or 358 sq km, and gives the company a 50 per cent stake in each of the three blocks within the Esso licenses.

Domestic analysts said they believed the deal to be the biggest of its kind ever concluded in Norway. Enterprise said that portions of blocks 16/1, 25/8 and 25/20 in the Utsira High area with proven hydrocarbons were specifically excluded from the farm-in.

The company explained that it had agreed the farm-in with Esso to make greater and faster progress in building its Norwegian North Sea portfolio than what otherwise could be accomplished under Norway's licensing regime.

Enterprise intends to drill three exploration wells – one this year in block 25/8 near Esso's producing Balder field – and to undertake three dimensional seismic surveys over the bulk of the farm-in acreage.

Including the farm-in well, the company plans to drill up to 10 exploration wells this year elsewhere on Norwegian shelf acreage, or one-third of all wells to be drilled in the sector, representing its heaviest ever exploration programme since entering Norway in 1989, when it acquired acreage from Texas Eastern.

The two companies have already secured approval of the agreement by Norway's industry and energy ministry and finance ministry.

Bigger EU banana quota sought

By Deborah Hargreaves

Guatemala will today lead a delegation of four Latin American countries to Brussels to propose a way of ending the current stalemate in a row over the European Union's banana regime.

The European Commission's deadline for the Latin Americans to accept a proposal for an increase to 2.1m tonnes in their ceiling for deliveries to the $2.7bn EU banana market runs out tomorrow.

A report by the General Agreement on Tariffs and Trade condemning EU arrangements with African, Caribbean and Pacific producers over bananas under the Lomé convention will also be circulated on Friday.

A condition of the commission's offer is that the Latin Americans drop their complaint to Gatt.

Guatemala's proposal calls for an increase in access for the Latin Americans to about 2.5m tonnes – this would be included in an overall quota for all non-EU bananas of 3.2m tonnes. Within that ceiling, the Guatemalans suggest a single tariff to apply to ACP and the so-called dollar bananas from Latin America.

Higher tariffs would be payable on imports above that level with the revenue raised from the tariffs going as direct aid to ACP countries. The proposal also calls for the abolition of the licensing system.

The proposal is backed by Panama, Honduras and Ecuador, which is the biggest Latin American exporter of bananas to the EU, but is not a member of Gatt. It lacks the key support of Colombia and Costa Rica, which are large exporters and, as members of Gatt, carry more political clout with the EU.

Japanese win price cuts from more Australian iron ore producers

By Nikki Tait in Sydney

Robe River Iron Ore Associates of Australia, a joint venture in which North Broken Hill Peko has a 53 per cent interest, yesterday announced that it had agreed to cut iron ore prices by 14.5 per cent, following negotiations with the Japanese steel mills.

It said that, in return for the large price reduction, the Japanese buyers had agreed to take at least 12.5m dry long tons of Robe River ore in 1994-95. The Robe River venture produces iron ore fines at operations based in Western Australia's Pilbara region.

The price cut is more substantial than that announced on Tuesday by Hamersley Iron, part of the CRA group, after "unusually complex and lengthy" negotiations. Hamersley said that it was cutting prices by an average 7.6 per cent – made up of a 9.5 per cent reduction for fines and one of 5.9 per cent for lump ore. Hamersley agreed a minimum delivery of 19m tonnes, unchanged from 1993-94.

Broken Hill Proprietary, the large Australian steel and natural resources group, also announced yesterday that it had agreed to a 7.6 per cent price for iron ore to be delivered from its Mount Newman project in the Pilbara, with the same split as Hamersley between fines and lump.

BHP said, however, that contracts for its Yandi and Goldsworthy projects had yet to be finalised.

Brazil's state-controlled mining giant, Companhia Vale do Rio Doce, has cut iron ore prices to match the discounts offered by Hamersley, a company official said yesterday, reports Reuter from Rio de Janeiro.

CVRD had closed several contracts with Japanese clients, including Nippon Steel Corporation and Kawasaki Steel Corporation, that included 9.5 per cent reductions for sinter feed and 5.9 per cent for lump ore, the official said.

Officials of the Brazilian company were due to sign contracts with various German clients in Dusseldorf tomorrow and prices offered on those contracts were likely to be similar to those agreed with the Japanese, he added.

MARKET REPORT

Zinc prices slide as production cut hopes fade

ZINC prices fell sharply again yesterday under pressure from investment fund selling and dwindling hopes of production cuts. The London Metal Exchange three months price added $20.50 to Tuesday's $20.25 fall to reach $983 a tonne.

The selling was influenced by a statement from Outokumpu of Finland saying it had no plans to cut production. Also European Union zinc producers had yet to deliver the promised smelter closures, dealers noted.

The ALUMINIUM market meanwhile showed signs of losing its recent upward momentum, with the three months price closing $6.75 lower at $1,288.75 a tonne. The closure threat at Tajikistan's Tursunzade smelter that had helped to steady the market on Tuesday receded slightly with news that a small delivery of alumina had been received this week. But an official said reserves remained minimal, while doubts remained about further deliveries from Uzbekistan because of failure to pay for earlier shipments.

Compiled from Reuter

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1287-8	1288.5-9
Previous	1274-5	1295-6
High/low		1292/1280
AM Official	1263-3.5	1284-5
Kerb close		1287-8
Open Int.	276,413	
Total daily turnover	40,100	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1131-6	1150-4
Previous	1129-33	1148-52
High/low		1152/1146
AM Official	1125-6	1146-7
Kerb close		1153-54
Open int.	3,375	
Total daily turnover	329	

■ LEAD ($ per tonne)

Close	489.5-90.5	503-3.5
Previous	498.5-9.5	512-2.5
High/low		512/503
AM Official	493-4	506.5-7.0
Kerb close		505-6
Open int	34,698	
Total daily turnover	5,973	

■ NICKEL ($ per tonne)

Close	5740-45	5800-805
Previous	5770-80	5835-40
High/low		5830/5740
AM Official	5720-5	5775-80
Kerb close		5830-35
Open int.	56,508	
Total daily turnover	7,749	

■ TIN ($ per tonne)

Close	5340-45	5395-6
Previous	5325-35	5380-90
High/low		5425/5360
AM Official	5330-5	5360-5
Kerb close		5425-30
Open int.	19,137	
Total daily turnover	3,242	

■ ZINC, special high grade ($ per tonne)

Close	964-5	982.5-3.5
Previous	983.5-4.5	1003-04
High/low		1000/976
AM Official	973.5-74	993.5-94
Kerb close		975-6
Open int.	102,677	
Total daily turnover	25,231	

■ COPPER, grade A ($ per tonne)

Close	1953.5-4.5	1876-7
Previous	1871.5-2.5	1895-96
High/low	1853/1852	1884/1870
AM Official	1852-2.5	1874-5
Kerb close		1882-3
Open int.	258,889	
Total daily turnover	46,427	

■ LME AM Official £/$ rate: 1.4695
LME Closing £/$ rate: 1.4617

Spot:1.4625 3 mths:1.4568 6 mths:1.4529 9 mths:1.4486

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open Int	Vol
Feb	87.20	+0.55	87.20	86.10	652	288
Mar	38.85	-0.20	87.40	86.00	34,512	6,372
Apr	86.60	-0.10	-	-	780	3
May	58.75	+0.15	87.00	85.90	16,114	2,339
Jun	86.80	+0.05	-	-	846	15
Jul	86.50	+0.20	87.15	86.00	8,600	330
Total					69,351	9,464

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	381.80-382.00	
Opening	380.50-380.90	
Morning fix	380.25	259.468
Afternoon fix	380.75	260.431
Day's High	382.20-382.60	
Day's Low	379.00-379.40	
Previous close	380.20-380.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....2.85 6 months 3.00
2 months ....2.86 12 months 3.18
3 months 2.90

Silver Fix	p/troy oz.	US cts equiv.
Spot	359.00	524.50
3 months	363.35	528.65
6 months	367.80	533.20
1 year	375.38	543.75

Gold Coins	$ price	£ equiv.
Krugerrand	382-385	260-263
Maple Leaf	391.25-393.70	-
New Sovereign	89-92	61-54

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open Int	Vol.
Feb	384.0	+1.7	384.2	380.0	724	70
Mar	384.4	+1.6	384.5	384.5	8	5
Apr	385.7	+1.6	386.0	380.6	86,942	20,085
Jun	387.7	+1.6	387.8	382.7	29,136	776
Aug	389.8	+1.6	388.4	387.3	5,000	139
Oct	392.1	+1.6	-	-	4,143	1
Total					136,108	22,017

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Apr	393.7	+2.1	394.5	389.5	14,614	2,371
Jul	393.9	+1.8	395.0	390.5	3,001	79
Oct	394.6	+2.0	392.0	392.0	387	57
Jan	395.6	+2.0	397.0	393.6	195	6
Apr	396.6	+2.0	-	-	6	2
Total					18,203	2,515

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Mar	134.20	+2.35	132.25	131.50	2,145	326
Jun	134.20	+2.35	134.25	131.50	2,405	153
Sep	134.10	+2.35	134.25	131.00	143	-
Dec	134.00	+2.35	132.00	132.00	119	1
Total					4,812	480

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

Feb	532.7	+6.6	-	-	6	12
Mar	533.5	+6.5	535.0	517.0	70,507	13,019
May	537.0	+6.5	538.0	521.0	21,741	1,734
Jul	540.3	+6.5	541.0	525.0	9,828	252
Sep	543.7	+6.5	542.0	528.0	2,820	20
Dec	548.8	+6.5	550.5	532.0	7,797	108
Total					118,135	15,177

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open Int	Vol
Mar	14.69	-0.52	15.25	14.58	88,109	37,233
Apr	14.86	-0.46	15.33	14.77	74,856	25,678
May	15.05	-0.40	15.42	14.95	39,865	13,603
Jun	15.25	-0.36	15.57	15.15	54,825	4,059
Jul	15.43	-0.34	15.77	15.40	22,072	1,700
Aug	15.63	-0.30	15.85	15.63	11,981	811
Total					443,356	87,855

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open Int	Vol
Mar	13.54	-0.50	14.80	13.50	55,306	22,983
Apr	13.70	-0.38	14.04	13.65	66,360	22,281
May	13.88	-0.34	14.20	13.84	20,058	3,414
Jun	14.07	-0.34	14.37	14.03	11,470	1,901
Jul	14.20	-0.33	14.48	14.20	8,323	293
Aug	14.59	-0.09	14.59	14.59	3,871	114
Total					46,774	50,848

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open Int	Vol
Mar	49.60	-1.07	51.00	49.25	46,362	16,719
Apr	45.50	-1.16	47.10	45.40	34,916	6,679
May	44.30	-0.91	45.85	44.20	34,953	2,845
Jun	44.10	-0.81	45.00	44.00	22,373	1,016
Jul	44.75	-0.56	44.80	44.60	14,543	519
Aug	45.30	-0.46	45.50	45.45	8,464	17
Total					176,635	27,841

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Feb	139.75	-4.75	143.25	139.50	19,128	7,312
Mar	141.50	-4.25	146.00	141.50	35,902	15,270
Apr	141.50	-3.75	144.50	141.50	15,285	4,032
May	141.50	-3.25	143.75	141.50	11,529	1,577
Jun	142.25	-2.50	143.00	142.00	14,379	255
Jul	144.00	-2.25	145.25	144.00	8,254	202
Total					122,298	28,149

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open Int	Vol
Mar	2.380	-0.046	2.445	2.350	23,615	6,352
Apr	2.210	-0.046	2.265	2.185	18,366	3,304
May	2.130	-0.040	2.180	2.125	13,338	1,436
Jun	2.110	-0.030	2.150	2.105	9,166	1,304
Jul	2.110	-0.025	2.135	2.105	9,730	998
Aug	2.125	-0.020	2.150	2.120	7,810	561
Total					137,373	18,123

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open Int	Vol
Mar	43.70	-0.97	45.00	43.00	30,470	9,734
Apr	45.75	-1.02	46.90	45.30	31,685	4,142
May	46.45	-0.97	47.40	46.30	33,339	1,129
Jun	46.85	-0.92	47.75	46.60	13,088	864
Jul	47.70	-0.07	47.70	47.60	3,183	423
Aug	47.57	-	-	-	3,003	7
Total					117,037	16,178

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	97.65	-	97.60	97.00	1,262	227
May	98.35	-	98.50	97.30	1,633	335
Jun	98.30	-0.05	98.15	97.35	222	74
Sep	88.15	-0.30	89.40	89.20	187	15
Nov	90.25	-0.25	90.30	90.25	769	37
Jan	92.20	-0.35	92.30	92.25	232	13
Total					4,316	707

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Mar	375/6	+6/4	376/0	368/6	92,390	19,865
May	363/6	+6/0	364/0	357/0	44,840	6,455
Jul	350/0	+3/6	350/2	346/0	82,610	13,530
Sep	350/6	+4/0	351/0	348/2	12,165	590
Dec	358/2	+3/0	358/4	353/4	17,610	855
Jul	341/0	+3/0	341/0	341/0	40	-
Total					249,685	41,315

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Mar	295/4	+4/0	295/6	290/6	425,490	89,575
May	301/0	+3/6	301/4	296/2	478,750	45,530
Jul	302/2	+3/6	302/6	297/4	408,965	28,010
Sep	286/4	+3/2	286/6	283/0	91,015	4,220
Dec	270/6	+2/6	271/0	267/6	228,830	20,810
Mar	276/6	+2/6	277/0	274/0	14,755	380
Total					1,65296	186,635

■ BARLEY LCE (£ per tonne)

Mar	101.15	-	101.00	100.75	594	48
May	101.75	-0.25	101.70	101.25	192	30
Sep	91.40	-0.35	-	-	102	-
Nov	93.25	-0.40	-	-	66	-
Jan	95.25	-	-	-	3	-
May	97.50	-	-	-	-	-
Total					957	78

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Mar	678/4	+4/0	679/4	672/2	280,385	114,130
May	683/6	+4/4	684/6	677/2	221,215	43,820
Jul	686/2	+5/2	687/2	679/4	178,480	22,535
Aug	678/2	+5/2	679/2	671/4	34,155	1,175
Sep	661/2	+5/4	661/6	658/0	18,915	595
Nov	647/6	+7/2	648/0	639/0	97,590	14,190
Total					845,695	197,045

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Mar	28.25	+0.42	28.30	27.78	27,473	9,607
May	28.26	+0.43	28.29	27.76	26,356	5,429
Jul	28.09	+0.41	28.15	27.63	18,799	3,302
Aug	27.69	+0.34	27.70	27.30	5,789	280
Sep	27.17	+0.45	27.20	26.71	5,180	70
Oct	26.25	+0.35	26.25	25.90	3,838	45
Total					96,242	19,574

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Mar	196.2	+0.3	196.6	195.3	31,875	9,075
May	196.1	+0.5	196.6	195.2	20,915	4,420
Jul	196.4	+0.8	196.8	195.4	16,640	2,937
Aug	195.2	+1.2	195.4	193.8	7,062	199
Sep	193.9	+1.4	194.0	192.0	4,062	306
Oct	192.1	+1.2	192.2	190.5	2,293	27
Total					89,679	17,665

■ POTATOES LCE (£/tonne)

Mar	142.5	-10.0	-	-	37	-
Apr	105.7	-0.3	106.0	105.0	1,709	27
May	124.7	-1.7	126.0	124.1	896	65
Jun	130.0	-	-	-	2	-
Nov	85.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Total					2,654	92

■ FREIGHT (BIFFEX) LCE ($10/index point)

Feb	1150	+10	1150	1150	141	10
Mar	1162	+2	1160	1155	368	13
Apr	1215	+5	1215	1205	1,134	66
Jul	1100	+10	1100	1095	237	10
Oct	1248	-2	-	-	241	-
Jan	1290	-	-	-	74	-
Total					2,198	104

	Close	Prev
BFI	1174	1177

COTTON

Spot and shipment sales amounted to 363 tonnes for the week ended 4 February, against 300 tonnes in the previous week. Renewed purchasing in many specialist styles attracted much attention. Turkish qualities, as well as Israeli and Central Asian growths moved off freely.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	880	+7	891	876	28,488	1,425
May	888	+4	902	887	18,235	1,602
Jul	901	+4	911	900	11,562	548
Sep	919	+5	928	917	10,898	402
Dec	936	+4	948	935	14,462	325
Mar	949	+4	963	949	28,028	83
Total					127,741	4,385

■ COCOA CSCE (10 tonnes; $/tonnes)

Mar	1079	-	1087	1070	13,875	6,066
May	1110	-2	1121	1102	28,708	4,568
Jul	1141	+2	1147	1134	13,892	890
Sep	1163	-4	1173	1160	8,047	357
Dec	1188	-4	1201	1190	6,781	221
Mar	1217	-4	1230	1216	7,808	53
Total					89,102	12,397

■ COCOA (ICCO) (SDR's/tonne)

Feb 8	Price	Prev. day
Daily	871.61	860.49
Feb 9		
10 day average	881.06	885.64

■ COFFEE LCE ($/tonne)

Mar	1222	+3	1223	1210	9,120	705
May	1226	+6	1228	1212	14,374	2,098
Jul	1221	+7	1222	1209	5,812	622
Sep	1221	+7	1223	1210	2,686	245
Nov	1222	+8	1216	1208	1,928	60
Jan	1221	+12	1205	1205	3,264	8
Total					37,184	3,738

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Mar	76.15	+0.20	76.60	75.60	20,761	5,373
May	77.55	+0.30	78.00	77.10	19,037	4,614
Jul	78.90	+0.25	79.30	78.60	5,064	801
Sep	80.35	+0.20	80.65	80.00	3,497	177
Dec	81.30	-0.20	82.05	81.30	2,518	130
Mar	82.30	-0.20	82.30	82.30	919	84
Total					51,823	11,179

■ COFFEE (ICO) (US cents/pound)

Feb 8	Price	Prev. day
Comp. daily	72.75	72.80
15 day average	70.24	70.04

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

Mar	11.25	+0.14	11.25	11.05	1,080	352
May	11.81	+0.13	11.81	11.69	1,024	205
Jul	12.06	+0.10	-	-	2,907	-
Oct	11.50	+0.02	-	-	30	-
Total					5,041	557

■ WHITE SUGAR LCE ($/tonne)

Mar	308.5	+2.8	308.8	305.7	2,540	824
May	305.8	+3.0	306.0	302.9	6,394	932
Aug	306.7	+2.4	305.7	303.4	2,250	617
Oct	293.0	+2.2	293.0	290.5	2,682	14
Dec	291.4	+2.1	-	-	107	-
Mar	291.3	+1.7	-	-	67	-
Total					14,089	2,387

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	11.02	+0.10	11.08	10.85	33,845	5,612
May	11.48	+0.05	11.56	11.34	47,324	7,206
Jul	11.50	+0.05	11.55	11.38	19,097	2,680
Oct	11.24	+0.04	11.27	11.12	17,264	1,354
Mar	11.18	+0.02	11.18	11.08	4,007	190
May	11.14	-0.03	-	-	417	-
Total					122,449	17,060

■ COTTON NYCE (50,000lbs; cents/lbs)

Mar	76.36	-1.11	78.40	78.25	16,515	3,730
May	76.85	-0.80	76.49	76.75	19,650	6,400
Jul	76.98	-0.90	78.48	76.82	9,613	1,491
Oct	72.00	-0.50	73.10	72.00	2,044	204
Dec	69.61	-0.14	69.98	69.52	8,793	563
Mar	70.48	+0.03	-	-	238	-
Total					56,929	12,382

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Mar	108.45	+4.50	108.45	104.05	9,453	1,251
May	111.20	+4.25	111.30	107.20	3,945	500
Jul	114.70	+4.75	114.70	110.40	1,990	633
Sep	116.95	+5.00	113.50	113.50	831	2
Nov	118.90	+4.95	118.90	117.50	489	97
Jan	120.95	+5.00	119.75	119.00	631	1
Total					17,361	2,484

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Feb 9	Feb 8	month ago	year ago
1783.4	1780.0	1671.3	1743.1

■ CRB Futures (Base: 4/9/56=100)

Feb 8	Feb 7	month ago	year ago
227.23	227.14	225.26	199.67

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Feb	72.675	+0.550	72.700	71.950	11,356	4,029
Apr	75.150	+0.225	75.325	74.850	36,911	6,750
Jun	73.600	-	73.825	73.500	20,198	1,737
Aug	72.850	-	73.200	72.750	11,801	792
Oct	73.375	+0.325	73.550	73.100	8,882	595
Dec	73.775	+0.225	73.850	73.500	1,858	92
Total					91,864	13,990

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Feb	48.950	-0.175	49.500	48.900	2,379	626
Apr	49.525	-0.525	50.250	49.500	14,935	3,839
Jun	54.525	-0.575	55.200	54.400	7,839	1,007
Jul	53.775	-0.375	54.250	53.650	2,849	177
Aug	52.325	-0.075	52.700	52.200	2,848	245
Oct	48.325	-0.025	48.600	48.200	2,446	111
Total					33,218	6,085

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	57.625	-1.075	58.750	57.300	1,234	246
Mar	57.625	-1.125	58.850	57.375	2,798	1,543
May	58.175	-1.200	59.600	58.100	4,889	926
Jul	58.425	-1.125	59.550	58.250	2,303	261
Aug	56.125	-1.025	57.250	56.125	485	12
Total					11,667	2,988

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1275	49	76	39	53
1300	37	63	52	66
1325	27	53	67	80
■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
1850	69	101	33	48
1900	43	74	57	71
1950	25	53	89	99
■ COFFEE LCE	Mar	May	Mar	May
1200	29	68	7	42
1250	6	44	34	68
1300	-	28	78	102
■ COCOA LCE	Mar	May	Mar	May
900	7	38	27	50
925	3	29	48	66
950	1	22	71	84
■ BRENT CRUDE IPE	Mar	Apr	Mar	Apr
1400	10	34	3	49
1450	-	14	-	96
1500	-	7	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)

		+or-
Dubai	$12.80-2.85w	-0.44
Brent Blend (dated)	$13.43-3.47	-0.615
Brent Blend (Mar)	$13.51-3.55	-0.535
W.T.I. (1pm est)	$14.85-4.87w	-0.585

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$151-152	
Gas Oil	$144-145	-4
Heavy Fuel Oil	$77-79	
Naphtha	$136-139	-0.5
Jet Fuel	$159-160	-3.5

Petroleum Argus Estimates

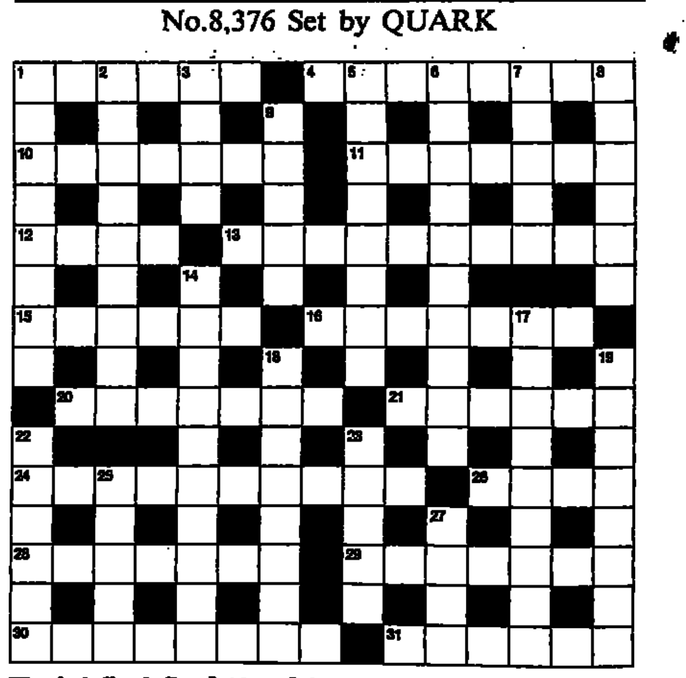
■ OTHER

Gold (per troy oz)♣	$381.80	+1.4
Silver (per troy oz)♣	530.5c	+7
Platinum (per troy oz.)	$389.50	+0.15
Palladium (per troy oz.)	$130.50	
Copper (US prod.)	92.0c	-2
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	N/A	
Tin (New York)	248.50c	
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	121.12p	-0.35*
Sheep (live weight)†♠	110.62p	+2.77*
Pigs (live weight)	71.28p	+5.32*
Lon. day sugar (raw)	$267.50	-2.20
Lon. day sugar (wte)	$307.00	+0.3
Tate & Lyle export	£294.50	
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£128.0	
Wheat (US Dark North)	£143.5	
Rubber (Mar)♥	64.25p	+0.25
Rubber (Apr)♥	64.50p	+0.25
Rubber(KL RSS No1 Feb)	234.5m	+1
Coconut Oil (Phil)§	$580.0x	+5
Palm Oil (Malay.)§	$387.5t	
Copra (Phil)§	$375.0	-2.5
Soyabeans (US)	£206.0y	+1.5
Cotton Outlook A Index	81.05c	+1.75
Wooltops (64s Super)	378p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Feb/Apr w Mar. z Jan/Mar. t Apr/Jun. x Feb/Mar. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,376 Set by QUARK



The briefly defined 13 and 24 across, and 17 down have a feature in common

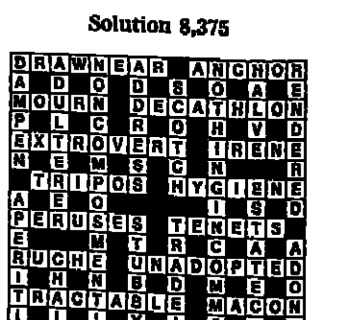
ACROSS

1 Result after tailoring? (6)
4 Apportion vegetable for cooking purposes? (5,3)
10 Danger signal put back to signify band (7)
11 Ward off about 4 perhaps (7)
12 Foreign Office sent off Wood for a break (4)
13 A bell (10)
15 English and French wine at church show (6)
16 In voting change, "noes" exceed "ayes" (relating to part of Italy) (7)
20 Empty slipway without a vessel; no details given (7)
21 One making brief visit ransacked cellar (6)
24 A bottle (10)
25 River goddess (4)
28 Fish I snared is out of order (7)
29 Some credo under criticism to turn to one's advantage? (7)
30 Having the most sugar, it's dearest (8)
31 The river in the south-east – right one to go the distance? (6)

DOWN

1 Grilled rump steak (top cut) of superior quality (2-6)
2 Pantomime highlight where babes rest in a piece of wood (9)
3 Summed up incomplete collection of poems (4)
5 The standard one draws level in equalities (8)
6 A London semi-detached premise, unfinished, could be cold (10)
7 Cheek, turning up with gold dish! (5)
8 Primate's expression of compliance at sea (3-3)
9 Wide but inferior street (5)
14 Drink avoided, we hear, in tiny drops (6,4)
17 Plain (9)
18 Disciplines Charles (sent out) (8)
19 Card? Sure. Extraordinary campaigner (8)
22 Tobacco swindles (6)
23 Encountered right round the underground system (5)
25 Spirit bottle (5)
27 Press boss will set up trend of events (4)

Solution 8,375



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Weakness in bond markets unsettles equities

By Steve Thompson

Trends in international bond markets set the agenda for a London stock market still undecided after a topsy-turvey beginning to the week.

An early sharp fall in sterling was seen as the main cause of a sell-off in gilts, and was accompanied by fresh losses in German bunds. These produced sharp declines across the board in London share prices, although downside pressure in the market was much reduced later in the session when Wall Street opened on a firm note. US investors adopted a more positive view on the outcome of the two big auctions of US Treasury bonds, involving $12bn worth of 10-year bonds late yesterday and $11bn worth of 30-year bonds today.

At their worst levels yesterday, long-dated gilts were down 1¼ before stabilising and rallying to finish the session some 13 ticks off on balance.

Although closing 11.1 down at 3,429.1, the FT-SE 100 Index was well above the day's lowest point, reached just before midday, while the Mid Cap 250 Index settled 30.5 off at 4,101.1, also above the day's low point.

The equities market was under pressure from the outset, with weak gilt futures unsettling the equity market amid stories that the trend in US bonds could have signalled a withdrawal from UK gilts of the big US hedge funds and institutions.

The FT-SE 100 Index opened around 17 points lower, affected by gilts and pressure in the Footsie future, and managed a modest recovery which saw the index down only 5 points. However, the rally soon came to grief as renewed selling across the board in gilts and equity futures drove the FT-SE 100 future below 3,400 and to a discount to the cash market around midday. At the day's low-point the 100-share index was down 36.5 at 3,403.7.

A good rally developed thereafter, with London picking up the scent of a steadier than expected opening by US bonds and Wall Street. German bunds moved up, taking gilts with them, and equities responded accordingly. Wall Street was around 25 points higher as London closed, although it moved significantly lower afterwards.

Some UK strategists remained unconvinced by the rally in bond markets yesterday afternoon and the impact on equities. Mr Edmond Warner at Kleinwort Benson said the markets had "woken up today to worries that support for gilts has evaporated". The gilts/equity ratio has fallen to 2.1, and for the ratio to return to 2.0 would need a strong rally in gilts or a big correction in equities. A ratio of two would entail a 170-point drop in the FT-SE 100 to 3,250, or smaller moves in both gilts and equities."

Turnover in equities was well down from Tuesday's 1.02bn shares, reaching 912m. Non-FT-SE 100 stocks accounted for 64 per cent of the overall total. The value of customer business transacted in the market on Tuesday was £2.08bn, continuing the high levels of recent weeks.

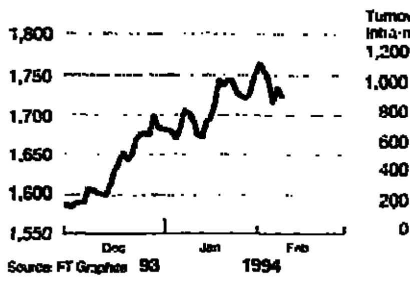
Kleinwort European Privatisation Trust, one of the day's two new issues, accounted for a heavy 61m shares, with the stock coming under pressure all day and closing at 43½p, compared with an opening level of 49p. Coda, the other market debut stock, ended at a good premium to its placing price.

Oil shares attracted keen interest, with the majors strongly supported after a buy recommendation from one of the London market's top broking firms and in spite of a steep decline in crude oil prices.

Account Dealing Dates		
*First Dealings:		
Jan 17	Jan 31	Feb 14
Option Declarations:		
Jan 27	Feb 10	Feb 24
Last Dealings:		
Jan 28	Feb 11	Feb 25
Account Day:		
Feb 7	Feb 21	Mar 7

*New time dealings may take place from two business days earlier.

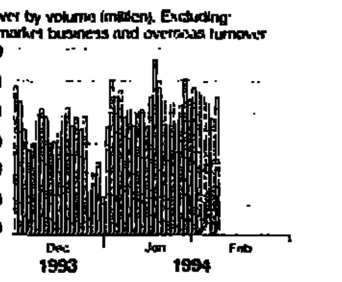
FT-SE-A All-Share index



Source: FT Graphics

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3429.1	-11.1	FT Ordinary index	2634.2	-7.7
FT-SE Mid 250	4101.1	-30.5	FT-SE-A Non Fins p/e	22.51	(22.60)
FT-SE-A 350	1738.0	-7.3	FT-SE 100 Fut Mar	3430.0	-10.0
FT-SE-A All-Share	1726.82	-6.76	10 yr Gilt yield	6.53	(6.54)
FT-SE-A All-Share yield	3.28	(3.27)	Long gilt/equity yld ratio:	2.15	(2.13)

Best performing sectors		Worst performing sectors	
1 Oil, Integrated	+1.5	1 Life Assurance	-1.9
2 Mineral Extraction	+1.0	2 Spirits, Wines & Cider	-1.5
3 Printing, Paper & Pckg	+1.0	3 Water	-1.4
4 Media	+0.8	4 Electricity	-1.4
5 Other Services & Bsns	+0.7	5 Building & Const	-1.2

Top job worries hit BAe

Fears that British Aerospace may become rudderless following weekend reports of the chairman's impending departure exacted a toll on the stock. At the day's worst the shares were 23 cheaper at 542p, but came off the bottom in the afternoon to finish 16 down on balance at 549p.

There was also talk that BAe would join forces with defence electronics group GEC to mount a counter-bid for helicopter company Westland Group, now under siege from GKN, which launched a £496m bid on Tuesday.

Market watchers were largely dismissive of the talk, and one said: "The problem is – which of the two bidders would own Westland?" Last weekend, BAe revived the idea of a strategic link with GEC to create a single UK defence contracting group. Yesterday's speculation left GEC trailing 6 at 344p.

Shares in Westland jumped 23 to 330p after the board formally rejected the offer from GKN. Analysts predicted the predator would have to raise its 290p a share offer to win control of the helicopter group. The prospect of having to increase its bid saw shares in GKN relinquish 22 to 560p.

Glaxo weak

Nervousness crept into Glaxo shares on findings from a US health panel that could be damaging to Zantac, Glaxo's anti-ulcer drug and biggest selling treatment.

Zantac works by blocking acid formation and the health panel tentatively concluded that some patients should be treated with antibiotics as well as acid-blocking drugs. The news saw Glaxo shares fall 10 to 662p in spite of the potentially beneficial effect of a stronger dollar and the launch of a big call warrant by BZW on leading pharmaceuticals stocks. Dealers said a US press conference, scheduled to take place after the London market closed, could hit the stock again today.

SmithKline Beecham, which also has an ulcer treatment, Tagamet, but also represents part of the BZW warrant, firmed a penny in the 'A's to 418p. Tagamet comes off patent in May and analysts said the potential loss of revenue was already in the share price.

Buying ahead of figures today saw BP improve 5¼ to 390½p on one of the heaviest turnovers in the FT-SE 100 Index - 13m shares. The stock ignored the effect of a weaker oil price and responded instead to a stronger US currency and a smattering of pre-results recommendations.

The range of forecasts is enormous, with analysts looking for historic net income of between £670m and £1bn and replacement cost profits of between £757m and £1.1bn. However, Credit Lyonnais Laing was confidently predicting that the share price would hit 500p by the end of the year while James Capel, Lehman Brothers and NatWest Securities were also continuing to offer support.

Aero-engine manufacturer Rolls-Royce moved strongly against a weak market trend as speculation that it is to merge with its US rival Pratt & Whitney returned.

The shares gained 8 to 183p, in average trade of 4.7m. The talk about a merger between the two groups first surfaced at the end of last year, but then faded. However, one analyst dismissed yesterday's rumours saying, "I can't rule it out, but the rationalisation costs for the two rival engine programmes would be very high indeed."

Consideration of results from Lloyds Abbey Life, saw its share price slip 15 to 447p. Analysts said that the headline figure of £333.6m was in line with expectations but the group, which is the insurance arm of Lloyds Bank, had not included any provisions for the mis-selling of pensions. Mr Roger Harvey of Kleinwort Benson cut his 1994 forecast for Lloyds Abbey by £23m to £359p. Lloyds Bank, which reports tomorrow, rose 7 to 613p. Analysts are looking for a profit of up to £1.05bn compared with £801m previously.

Leading bank stocks fell sharply in early trading in response to weaker gilts prices. However, most recovered by the close, with two-way business prompting very heavy turnover. Barclays ended 2 lower at 587p on turnover of 13m and NatWest 3 off at 539p, also with 13m traded.

In a weak telecoms sector, Cable and Wireless attracted attention as BZW issued a buy recommendation, arguing that the company's investment in Australian telecoms group Optus was now worth an estimated £500m.

The broker reckons that Optus has snatched a 10 per cent share of the Australian long distance market in only its second year of business. Together with its other telecoms operations, BZW calaculates Optus's value at £2bn. C&W has a 24.5 per cent stake in the venture and could reap further dividends should it be floated, a prospect deemed likely in the medium term. Turnover in C&W hit a busy 7m, although the shares saw an initial gain reversed, losing 9 at 509p.

Holiday operator Owners Abroad was the star performer of an otherwise lacklustre leisure sector as it delivered satisfactory results and an upbeat trading statement. The shares shot forward, closing 20 ahead at 120p on turnover of 6m. Mr Bruce Jones of Smith New Court said the company's claim of a 15 per cent market share demonstrated its renewed competitiveness and there was relief that the results contained no nasty surprises. He added: "Owners are now on the same rating as Airtours, but if Owners get it right there is more upside potential." Airtours shares added 2 at 586p.

A domestic court case over the issue of tied pubs and downbeat presentation from Vaux were said to have combined to depress drinks stocks. Vaux shares slipped 8 to 288p. Kleinwort Benson used the opportunity to reiterate its negative stance on the stock.

Wilton Group saw very heavy two-way business after news that the group is to team up with Shaw Media Corporation to launch a Chinese-language satellite channel in Europe. The shares held at 3¼p with 36m traded.

Profit forecast upgrades following well-received figures on Tuesday helped Reuters Holdings gain 47 to 2018p.

Marks and Spencer, muted in recent sessions on rumours of flagging sales, stabilised and closed 1¼ ahead at 427p.

Financial software concern Coda Group made a successful market debut, the shares coming to the market at 235p and closing yesterday at 265p.

Property stocks were weak, although Hammerson moved forward 3 to 422p on talk of an imminent deal.

MARKET REPORTERS:
Christopher Price,
Peter John,
Joel Kibazo.

■ Other statistics, Page 22

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (166).
BREWERIES (2) Fuller STA, Grosvenor Inns, BUILDING & CNSTRN (8) Bett Bros., Countryside Props., Galliford, Laing (J), Do 6pc Pf., Do N/V, Wilson Bowden, Wilson(C). BLDG MATLS & MCHTS (8) Alumasc. British Dredging, Calabread Roboy A, Cape, Epwin, Ibstock Johnsen, Lilleshall, Ruberoid, CHEMICALS (4) Canning (W), Headway, Kalon, Yorkshire, DISTRIBUTORS (11) Bletchley Mtr., Brit. Fittings, Dennmans, Ellis & Everard, Hobson, Jessups, Litho Supplies, Lookers, Norbain, Polar, Wilton, DIVERSIFIED INDLS (3) Brierley Invs, Unidare, ELECTRICITY (1) Manweb. ELECTRNC & ELECT EQUP (7) Control Techs., Critchley, Druck, Emess, Fujitsu, TGI, Thorpe (FW). ENGINEERING (13) ENG. VEHICLES (2) Bostrom, Trinity, EXTRACTIVE INDS (11) FOOD MANUF (1) Golden Vale, HEALTH CARE (1) Community Hsptls., HOUSEHOLD GOODS (2) Creighton Naturally, Portmeirion Potts., INSURANCE (1) Trade Indemnity, INVESTMENT TRUSTS (16) INVESTMENT COMPANIES (21) LEISURE & HOTELS (8) Airtours, Do 6 3/8p Pf., Bluebird Toys, Inspirations, Savoy, MEDIA (8) Daily Mail, Grampian TVA, Ports. & Sunderland, Reuters, Scottish TV, Sterling Publsg., Ulster TV, Yorks. Tyne-Tees TV. Do Wts., MERCHANT BANKS (1) Joseph (L), OIL, INTEGRATED (8) BP, Burmah, Norsk Hydro, Total, Woodside, OTHER FINANCIAL (6) Broadcastle, Cater Allen, Christie, Jupiter Tyndall, Towry Law, Tyndall Aust. Opts., OTHER SERVS & BUSNS (3) Attwoods, Cape Range, General Mtrs Uts., PRTNG, PAPER & PACKG (10) PROPERTY (6) Bourne End, Burford, Highcroft, In Shops, Lend Lease, Wates City of Lon., RETAILERS, FOOD (1) Shoprite, RETAILERS, GENERAL (3) Christies, MFI, Signet 8 7/8p Pf., SPIRITS, WINES & CIDERS (1) Highland Dists., SUPPORT SERVS (6) ADT, BSM, Dove Service, Kewill Systems, Misys, TEXTILES & APPAREL (4) Allied Textile, Lamont, Readicut, Richards, TRANSPORT (4) CSX, Seacon, Stagecoach, TNT, WATER (3) AMERICANS (6) CANADIANS (1) SOUTH AFRICANS (2)

NEW LOWS (5).
GILTS (2) BANKS (1) Standard Chrtd 7 3/8pc Pf, RETAILERS, GENERAL (1) Burton, SUPPORT SERVS (1) Salvesen (C).

EQUITY FUTURES AND OPTIONS TRADING

The derivatives sector had a volatile session which saw a recovery on the back of a firm Wall Street following initial weakness due to weakness in gilts, *writes Joel Kibazo.*

In stock index futures, the March contract on the FT-SE 100 opened at a discount to an already weak cash market at 3,420. The poor form of the gilts sector prompted selling from the large institutions and the contract fell through its recent support level of 3,400.

However traders reported buying at the lower levels, even as March declined indicating there was no clear view on the direction of trading from market participants during the morning.

The strength of US bonds boosted the New York market and helped March bounce, which also offered dealers much sought after arbitrage opportunities. March finished at 3,430, at a 6 point premium to cash. Volume was 18,061 at the *official close.*

Index options continued to lead the way in traded options business. The FT-SE 100 option finished with 20,842 lots while the Euro FT-SE 100 traded 3,541 contracts. BP was the busiest stock option at 3,561 lots, closely followed by NatWest Bank with 2,341 lots and Hanson with 1,940 lots. Activity in the OMLX futures remained poor with volume falling to 449 lots as the March contract on the Mid 250 index closed at 4,101.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3421.0	3430.0	-10.0	3438.0	3392.0	22137	63398
Jun	3442.0	3444.5	-10.5	3448.0	3442.0	202	11504
Sep	3442.0	3464.5	-10.5	3442.0	3442.0	20	390

Contract traded on APT. Open interest figures are for previous day.

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Volume	Open int.
Mar	4148.0	4125.5	-22.5	4148.0	4120.0	449	1,985
Jun		4145.0					

All open interest figures are for previous day.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3425) £10 per full index point

	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P
Feb	187	2½	139	5	95½	12	57	24	30	46½	13	80½	4½	129½	2	215
Mar	198	20	157	28	120½	42	88½	60	61½	83½	41½	114	26	149½	15½	189½
Apr	216½	32	174	45½	138	59½	109	80	81½	102½	60½	131	42½	164	42½	201
May	233½	49	196	61	162½	77	133	97	104½	119	84	148	63½	179	49	215
Jun†			212	71			150	108			99	157½			62	221

Calls 8,256 Puts 12,008

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P
Feb	160½	3½	115½	7½	74½	17½	41½	32½	18½	61½	8	127	3½	144½	1	193
Mar	176	22	136½	32½	102½	48½	73½	69	50	95	32	127	20	164½	12	206
Apr			155	50½			94	88½			51	144½			24½	217½
Jun			195½	78			138½	117½			91	170			56½	234
Sept†			237	102			179	141			131½	190			93½	249

Calls 2,580 Puts 1,008 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3950		4000		4050		4100		4150		4200		4250		4300	
Mar	25½		36		49½	103	68½	73½	92½	51	122	38½		23½		
Apr	43		55		71		80½	101½		80		62		47½		

Calls 4 Puts 4 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Feb 9	Day's chge%	Feb 8	Feb 7	Feb 4	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3429.1	-0.3	3440.2	3419.1	3475.4	2816.4	3.44	5.13	24.18	2.59	1257.01
FT-SE Mid 250	4101.1	-0.7	4131.6	4077.1	4146.4	3001.9	2.96	4.70	26.07	8.72	1490.72
FT-SE Mid 250 ex Inv Trusts	4116.1	-0.7	4146.3	4092.8	4154.4	3010.0	3.07	5.03	24.58	8.68	1491.30
FT-SE-A 350	1738.0	-0.4	1745.3	1731.7	1760.5	1390.8	3.33	5.03	24.60	1.87	1305.23
FT-SE SmallCap	2081.60	......	2081.31	2055.08	2094.98	1516.38	2.63	3.37	37.97	2.70	1580.83
FT-SE SmallCap ex Inv Trusts	2054.77	+0.1	2052.21	2028.58	2080.72	1518.35	2.77	3.71	35.26	2.91	1563.35
FT-SE-A ALL-SHARE	1726.82	-0.4	1733.58	1719.48	1748.37	1374.08	3.28	4.91	25.21	1.89	1319.85

TRADING VOLUME

■ Major Stocks yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	12,000	69	+1½
Abbey National†	5,300	403	-5
Albert Fisher	1,400	67	-3
Allied-Lyons†	2,700	616	-11
Anglian Water†	312	563	-12
Argos	667	375	-1
Argyll Group†	6,300	282	+1
Arjo Wiggins†	4,200	296	+12
Assoc. Brit. Foods†	1,500	674	-1
Assoc. Brit. Ports	340	618	-3
BAA†	869	1054	-12
BAT Inds.†	3,300	510	
BET	667	144½	-½
BICC	1,200	464	-14
BOC†	1,800	698	+1
BP†	13,000	390½	+5½
BPB Inds.	777	357	
BT†	9,000	456½	-2½
BT (P/Paid)	12,000	198½	-2½
BTR†	5,400	384	
Bank of Scotland†	2,900	225	-7
Barclays†	13,000	587	-2
Bass†	1,700	548	-7
Blue Circle†	1,700	370	-3
Booker	144	450	+7
Boots†	1,200	554	-3
Bowater†	810	482	
Brit. Aerospace†	1,800	549	-16
British Airways†	3,300	476	-4
British Gas†	4,500	338	-1½
British Land	240	481	-2
British Steel†	5,000	143	+1½
Bunzl	6,000	172	+2
Burmah Castrol†	493	870	
Burton	14,000	55	-2
Cable & Wire†	7,800	509	-9
Cadbury Schweppes†	3,700	518	+10
Calor Group	35	347	
Caradon†	1,900	415	
Carlton Comms.†	1,400	1006	-6
Coats Viyella†	5,700	275	
Comm. Union†	1,200	650	-6
Cookson	900	282	-3
Courtaulds†	1,000	524	-4
Dalgety	533	480	-2
De La Rue	683	929	+3
Dixons	2,500	212	-1
Eastern Elect.	819	704	-9
East Midland Elect.	1,300	696	-16
Eng China Clays	670	520	-5
Enterprise Oil†	2,200	464	+1
Eurotunnel Units	145	587	-8
FKI	934	195	-2
Fisons	678	131	-1½
Foreign & Col. I.T.	1,400	297	-3
Forte†	2,900	262½	+½
Gen. Accident†	629	675	-5
General Elect.†	2,500	343½	-4½
Glaxo†	5,400	662	-10
Glynwed	305	378	-4
Granada†	3,600	579	+10
Grand Met.†	4,600	461	-6
GUS†	859	588	-10
GRE†	1,200	223	-6
GKN	2,100	565	-16
Guinness†	3,500	513	-8
HSBC (75p shs)†	10,000	1029½	-13½
Hammerson	493	422	+3
Hanson†	13,000	298	+3½
Harrisons Crosfield	1,200	209	-3
Hays	932	316	-3
Hillsdown	838	175	-1
IMI	1,100	357	-2
ICI†	1,100	813	+5
Inchcape†	988	586	-2

LONDON EQUITIES

LIFFE EQUITY OPTIONS

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	67	10
Other Fixed Interest	0	3	12
Mineral Extraction	81	53	73
General Manufactures	148	178	358
Consumer Goods	42	49	102
Services	118	117	285
Utilities	4	30	9
Financials	66	111	213
Investment Trusts	17	232	214
Others	54	40	23
Totals	530	883	1299

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	Feb. 7	Last Declarations	May 12
Last Dealings	Feb. 18	For settlement	May 23

Calls: Beauford, Berisford, Blockleys, Business Tech., Caverdale, HTV, Hnason Wts., Hartons, Hobson, Johnson Fry, Kells Minerals, Kunick, Medeva, Mid- States, Millwall, Premier Cons., Signet, Sunleigh, Sycamore, Wakebourne, Wilshaw, Wilton. Puts: Medeva, Tadploe Tech., Wilshaw. Puts & Calls: Medova, Tadpole, Wilshaw

LONDON RECENT ISSUES: EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

FINANCIAL TIMES EQUITY INDICES

FT GOLD MINES INDEX

LONDON SHARE SERVICE

BANKS

Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	£23⅞	-⅞	£25¼	£18¼	6,586	4.4	12.6
ANZ A$	263¼	-1½	289	130	3,443	3.5	20.7
Abbey National †□	503	-5	524	345	6,594	2.9	19.4
Allied Irish I£	289	-4	314	179	1,804	3.8	14.6
Anglo Irish I£	68xd	+1	70	28	83.1	6.3	12.4
Asahi Y	880¼	-5¼	844	415	16,820	0.8	-
Banco Bil Viz Pta	£15¾	+¾	£17⅞	£13⅛	3,634	5.2	7.1
Banco Sant Pta	£32⅞	—	£38	£24¾	3,569	4.2	12.2
Bank Leumi (UK)	375	—	375	325	38.7	5.7	-
Bk Ireland I£	288	-5	319	177	1,357	4.3	21.2
Bank Scotland †□	225	-7	247	116½	2,819	2.6	30.8
9¼pc Pf	138	-1½	141½	117¼	138.0	8.4	-
8¾pc Pf	144¾	-1¼	148½	123½	144.8	8.4	-
Barclays	587	-2	652	362	9,527	2.7	-
Dai Ichi Kan Y	£12	-¼	£15⅞	£8⅝	37,426	0.5	66.3
Deutsche DM	£311⅞	+2⅞	£348⅞	£250½	14,853	1.9	-
Espirito Santo	£25⅝	+⅛	£26⅞	£16½	274.6	3.1	6.2
First Nat Fin N□	89xd	—	96	45	146.7	2.1	-
6.3pc Cv Pf	89	—	91	55	5.96	8.8	-
7pc Cv Pf	165½	—	169	108	78.5	5.3	-
Fuji Bank Y	1383¼	-10¼	1651	876	40,085	0.4	-
HSBC HK †□	1051	-13	1133	474	17,940	2.4	25.1
HSBC (75p Shs) †□	1029½	-13½	1113	490	8,462	2.4	24.6
Lloyds †□	613	+7	680	492	7,870	3.9	17.5
Mitsubishi Y	£17⅞	-⅛	£19¾	£11⅛	51,449	0.3	-
Mits Tst & Bk Y	898½	-3	1012½	462½	11,714	0.6	14.4
Mitsui Tst & Bk Y	706	-18¾	852	374	8,468	0.8	24.0
Nat Aust A$	600¼	-14¾	628¼	322	7,880	4.0	14.6
NatWest †□	539	-3	634	398	8,958	4.1	32.7
Oesterreich FFr	£32¼	-¼	£33	£23¼	161.2	4.7	9.5
Ryl Bk Scotland	469xd	-11	528	207	3,879	2.8	22.1
Sakura Y	£8¾	—	£11	£5¾	30,856	0.6	58.1
Sanwa Y	£13⅛	-⅛	£16	£7¾	38,776	0.4	-
Standard Chartd †□	1338	-27	1437	576	3,206	1.9	-
7 3/8pc Prf	104½	-½	108½	103¼	184.5	8.8	-
Sumitomo Y	£13⅝	-⅛	£16¼	£8⅞	42,183	0.4	38.9
Sumitomo Tst Y	855¼	-9¼	887½	437½	10,844	0.6	67.1
TSB	285	-5	291	145½	4,022	3.7	20.5
Tokai Y	£7⅝	+⅛	£8⅞	£4⅞	15,479	0.7	51.0
Toyo Tst & Bk Y	881	+9¼	940	411	5,351	0.7	60.7
Westpac A$	256	-1	260	121	4,488	2.1	[illegible]
Yasuda Tst Bk Y	568½	-9¼	690	343	6,278	0.9	50.7

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

LEISURE & HOTELS - Cont.

OTHER FINANCIAL

PROPERTY - Cont.

SPIRITS, WINES & CIDERS - Cont.

TRANSPORT - Cont.

SUPPORT SERVICES

WATER

LIFE ASSURANCE

AMERICANS

MEDIA

OTHER SERVICES & BUSINESSES

CANADIANS

TELECOMMUNICATIONS

TEXTILES & APPAREL

INVESTMENT COMPANIES

RETAILERS, FOOD

PHARMACEUTICALS

MERCHANT BANKS

RETAILERS, GENERAL

OIL EXPLORATION & PRODUCTION

PRINTING, PAPER & PACKAGING

LEISURE & HOTELS

TOBACCO

TRANSPORT

PROPERTY

OIL, INTEGRATED

SPIRITS, WINES & CIDERS

SOUTH AFRICANS

	Notes	Price	+ or -	1993/94 high	1993/94 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£19½	+½	£19½	£7½	1,183	3.6	16.5
Barlow		£4½	-⅛	£5¾	£4	803.8	7.3	8.2
Gold Fields SA R		£13⅝xd	-⅜	£18	£7¼	1,314	2.8	22.9
MK Props	[illegible]	95	—	97	68	3.82	9.3	39.1
SASOL	♥	335	+3	335	215	1,897	4.6	–
SA Brews		£13¾	-⅛	£15⅞	£7¾	7,149	2.1	21.8
Tiger Oats		713	—	838	513	1,871	2.3	15.1
Tongaat-Hulett	†	517xd	-5	622	212	389.9	2.9	14.4

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¥ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings

v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94

N Figures based on IIMR "Headline Earnings"
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xR ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Ring 081 770 0770 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT4614. [If calling from outside UK, dial +44 81 770 0770 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro SS

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

SS Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

TSB Unit Trusts (1200)F
Charlton Pl, Andover, Hants, SP10 1RE 0264 346794

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
TSB American	6	232.44	232.44	247.28	+4.38	–
Do Accum	6	258.02	258.07	272.38	+4.82	–
TSB Brit Growth	6	101.15	101.15	107.61	-1.43	1.54
Do Accum	6	119.78	119.78	127.43	-1.70	1.54
TSB European	6	113.82	113.82	121.09	-0.36	0.14
Do Accum	6	120.97	120.97	128.69	-0.42	0.14
TSB Extra Income	6	220.88	224.12	238.43	-2.36	3.35
Do Accum	6	361.15	366.44	389.83	-3.78	3.35
TSB Smaller Cos	6	80.80	82.96	88.27	-0.22	0.63
Do Accum	6	89.82	92.24	98.13	-0.24	0.63
TSB General	6	308.51	313.80	333.27	-4.51	1.94
Do Accum	6	623.51	632.29	672.59	-9.09	1.94
TSB Premier Income	5	55.51	56.82	59.59	-0.36	5.53
Do Accum	6	120.44	122.64	127.75	-0.56	5.53
TSB Income	6	380.26	385.93	410.58	-5.53	2.95
Do Accum	6	805.32	817.33	869.50	-11.70	2.95
TSB Pacific	6	465.22	465.22	494.91	+3.87	–
Do Accum	6	488.83	488.83	520.03	+4.07	–
TSB International	6	587.93	587.93	625.46	+1.38	0.07
Do Accum	6	771.82	771.82	820.88	+1.82	0.07
TSB Nat Resources	6	184.09	184.09	195.84	+1.82	0.01
Do Accum	6	202.03	202.03	214.92	+1.77	0.01
TSB Select Opps	6	120.04	122.19	129.99	+0.13	0.80
Do Accum	6	151.47	154.18	164.03	-0.16	0.80
Environmental Inv	6	68.34	68.34	72.70	-0.53	1.34
Do Accum	6	74.00	74.00	78.67	-0.64	1.34
TSB Selector	6	69.71	70.66	75.38	-0.53	1.87
Do Accum	6	77.46	78.74	83.77	-0.58	1.87
TSB High Income	6	71.62	72.45	77.08	-0.89	4.04
Do Accum	6	87.14	88.16	93.79	-1.08	4.04
TSB Intl Income	6	83.73	84.17	89.27	-0.08	4.42
Do Accum	6	76.15	75.66	80.49	-0.09	4.42
TSB Selector Income	6	67.72	68.48	72.85	-0.88	4.56
Do Accum	6	76.95	77.79	82.75	-0.59	4.56

INSURANCES

AXA Equity & Law Life Assce
Amersham Road, High Wycombe 0494 463463

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equities Ser 5	991.5	1043.6	-16.6	–
Higher Income Ser 5	1076.5	1133.1	-15.2	–
Property Ser 5	525.2	552.8	–	–
Fixed Interest Ser 5	421.8	444.0	-3.9	–
Index Linkd Secs Ser 5	188.4	198.2	-1.9	–
Gtd Deposit Ser 5	288.2	304.4	–	–
Nth America Ser 5	436.7	459.6	+3.1	–
Far East Ser 5	801.3	832.9	+6.7	–
Europe Ser 5	372.7	392.3	-1.5	–
International Ser 5	578.5	608.8	+1.5	–
Balanced Ser 5	715.9	753.5	-4.7	–
Reserve Ser 5	148.9	156.7	-0.6	–
Opportunity Ser 5	165.2	173.8	-0.5	–
Distribution Ser 5	108.2	114.0	-0.9	–
Pens Equity Ser 3 (z)	1421.3	1496.1	+34.6	–
Pens Higher Inc S 3 (z)	345.3	363.4	+7.9	–
Pens Fixed Int S 3 (z)	573.3	603.4	+3.6	–
Pens Index-Linked Sec S 3 (z)	244.5	257.3	+1.4	–
Pens Property S 3 (z)	488.5	514.2	–	–
Pens N American S 3 (z)	190.7	200.7	+1.2	–
Pens Far East S 3 (z)	348.1	364.3	+2.6	–
Pens Europe S 3 (z)	210.8	221.8	+4.1	–
Pens Overseas S 3 (z)	871.2	917.0	+12.6	–
Pens Balanced S 3 (z)	836.8	880.8	+14.5	–
Pens Cash S 3 (z)	420.3	442.2	–	–
Pens DAF Series 3 (z)	235.2	247.6	–	–
Pens DAF Series 1 (z)	468.5	481.9	–	–
Pens Opportunity S 3 (z)	180.6	190.1	+3.3	–
Pens Reserve S 3 (z)	173.0	182.1	-0.6	–

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Royal Liver Assurance				
Royal Liver Building, Liverpool, L3 1HT. 051-236 1451				
UK Equity	83.2	87.6	-1.4	-
Global Equity	62.5	65.8	+0.2	-
High Yield	80.8	85.0	-1.2	-
Intl Equity	89.6	94.3	-0.7	-
Fixed Interest	81.2	85.5	-1.4	-
Money	76.1	80.1	-	-
Managed	84.7	89.2	-1.2	-
Pensions				
UK Equity	91.0	95.8	-1.8	-
Global Equity	67.1	70.6	+0.3	-
High Yield	94.6	99.63	-1.7	-
Intl Equity	100.8	106.1	-0.9	-
Fixed Interest	97.80	103.1	-1.8	-
Money	94.2	99.2	+0.1	-
Managed	95.9	100.9	-1.5	-
Tax Exempt				
Tax Exempt Mgd	71.3	75.0	-1.7	-
S-E-Banken Life Assurance Co Ltd				
149-151 High Rd, Chadwell Hth RM6 6PJ 081-597 7580				
Managed Fund	163.2	171.8	+1.5	-
Pension Mngd Fd	184.9	194.7	+2.1	-
Save & Prosper Group (z)				
16-22 Western Rd, Romford RM1 3LB 0708-766966				
Bal Inv Fd	792.0	836.2	+5.5	2.10
Coverdale AG Bond Fd	170.3	180.3	+0.8	-
Deposit Fd†	360.0	361.0	+0.3	6.76
Directors' Portfolio	89.3	94.6	-0.4	-
Equity Pens Fd	203.0	214.9	+0.4	-
European Mngd Fd	70.2	74.3	+0.3	-
Gilt Fd	542.4	574.0	+0.2	7.58
Gilt Pens Fd	149.1	157.8	+0.1	7.04
Global Equity Fd	250.0	264.8	+2.5	-
Global Eq Pens Fd	250.2	264.8	+2.7	-
High Int Pens Fd†	132.1	139.8	-	5.54
Japanese Mngd Fd	91.3	96.7	+1.0	-
Managed Income Fd	52.9	56.0	+0.2	5.78
Man Pens Fd	210.0	222.3	+1.1	1.79
North American Mngd Fd	72.3	76.6	+0.6	-
Pacific Mngd Fd	93.6	99.1	+1.3	-
Property Fd*	98.1	103.9	+1.9	8.11
Prop Pens Fd*	128.1	135.6	+2.0	6.77
Tarrant Lambert Managed	242.8	257.0	+1.4	-
UK Capital Portfolio	66.0	69.9	-0.2	-
UK Managed Gilt Fd	63.7	67.5	+0.2	-

†Weekly dealings. *Fortnightly dealings

	Bid Price	Offer Price	+ or -	Yield Gross
Skandia Life Assurance Co Ltd - Contd.				
Fidelity Managed	220.1	231.6	+2.5	-
Fleming Managed Inv Tst	149.9	157.7	+2.2	-
F & C Investment Trust	192.2	202.3	+4.1	-
Framlington Managed	248.3	261.3	+2.4	-
Gartmore Managed	279.6	294.3	+3.8	-
Henderson Managed	279.9	294.7	+3.4	-
Hill Samuel Managed	244.4	257.2	+2.4	-
Invesco Managed	212.4	223.6	+3.1	-
James Capel Core Mngd	147.7	155.4	+1.9	-
Kleinwort Benson Mngd	147.1	154.8	+2.1	-
Martin Currie Mngd	163.3	171.8	+1.4	-
Morgan Grenfell Mngd	166.7	175.4	+1.3	-
Murray J'stone Managed	160.3	168.7	+1.4	-
Perpetual Managed	233.2	245.4	+3.0	-
Schroder Managed	145.0	152.6	+1.9	-
Pension Managed Funds				
Skandia Cautious	164.0	172.6	+1.2	-
Skandia Balanced	626.8	659.5	+6.1	-
Skandia Ethical Selection	141.3	148.7	-1.5	-
Skandia Deposit	447.8	471.4	-	-
Abtrust Managed	150.8	158.7	+1.9	-
Baring Managed	172.9	181.9	+2.3	-
BZW Managed	136.7	143.8	+1.2	-
CU Managed	311.1	327.4	+6.3	-
Fidelity Managed	248.2	261.2	+3.5	-
Fleming Managed Inv Tst	173.1	182.2	+1.0	-
F & C Investment Trust	222.2	233.8	+5.4	-
Framlington Managed	387.3	407.6	+4.6	-
Gartmore Managed	421.3	443.4	+6.6	-
Henderson Managed	374.9	394.6	+5.5	-
Hill Samuel Managed	319.0	335.7	+3.5	-
Invesco Managed	300.5	316.3	+6.5	-
James Capel Core Mngd	167.7	176.5	+2.7	-
Kleinwort Benson Mngd	158.8	167.1	+2.8	-
Martin Currie Mngd	184.4	194.1	+2.0	-
Morgan Grenfell Mngd	190.2	200.2	+1.8	-
Murray Johnstone Mngd	172.5	181.5	+0.9	-
Perpetual Managed	286.8	301.8	+4.4	-
Schroder Managed	160.0	168.4	+2.7	-
Standard Life Assurance Company				
3 George St, Edinburgh EH2 2XZ 031-225 2552				
Managed	737.1	775.9	-7.3	-
Equity	1050.7	1106.0	-16.3	-
Fixed Interest	415.6	437.5	-8.4	-
Index-Linked	214.8	226.3	-2.1	-
International	657.4	692.5	+1.6	-
North American	152.0	160.0	+1.1	-

Scottish Amicable

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Albany International Assurance Ltd

Allied Dunbar International Assurance Ltd (x)

CMI Insurance Co Ltd

Eagle Star Intl Life

Equitable Life (International)

Lebrow International Group

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Life Insurance Int Life Ass Co Ltd

Sun Alliance International Life

Sun Life International (IOM) Ltd

Target International Group

Century Life International Ltd

MANAGEMENT SERVICES

Capital Trust Financial Management

Chase de Vere PLC

J. B. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Jupiter Tyndall (Bermuda) Ltd

Newport Investment Management

Orion Fund Limited

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

Equitable International Fund Managers Ltd

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mgrs (IOM)

Rothschild Asset Management - Contd.

Royal Bank of Canada Offshore Fd Mgrs Ltd

GUERNSEY (REGULATED)(**)

GAM Fund Management Ltd

ISLE OF MAN (REGULATED)(**)

ATC Fund Management Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

JERSEY (REGULATED)(**)

Barclays Intl Funds

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

EBC Fund Managers (Jersey) Ltd

EBC Traded Currency Fund Ltd*

	Bid Price	Offer Price	+ or -	Yield Gross
Income	$14.40	14.842	-0.01	1.26
Capital	$22.68	23.381		

*Offer price includes 3% preliminary charge

International Income Fund*

	Bid Price	Offer Price	+ or -	Yield Gross
Eurobd Long Term-US$	$32.61	34.0029	-0.0725	4.96
Eurobd Long Term-DM	DM105.77	110.3794	-0.0031	1.53

*Offer Price includes 3½% Initial Charge

Fleming Group

Robert Fleming Management (Jersey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Czech & Slovak NAV Jan 31	$12.15		—	-
Deutschland NAV Jan 31	DM17.05		—	-

Foreign & Colonial Mngmt (Jersey) Ltd

Greece Fund Ltd

John Govett Management (Jersey) Ltd

INVESCO International Limited

Comgest SA

56 rue de Londres, 75008 Paris 010 331 4470 7510

Commercial Union Luxembourg SA (a)

41 Ave de la Gare L-1611

Crescale Group (u)

11 Rue Aldringen, L-1118 Luxembourg

DB Investment Management SA

2 Boulevard Konrad Adenauer, Lux

Den norske Bank

2 boulevard Royal, Lux

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Sterling under pressure

Sterling continued its downward path yesterday as market sentiment soured following Tuesday's 25 basis point cut in interest rates, *writes Philip Gawith.*

The pound finished in London yesterday at DM2.5708, four pfennigs lower than its level before the rate cut was announced and 2½ pfennigs down on the day. It closed nearly a cent lower against the dollar at $1.4605.

The trigger for further selling was the release of the Bank of England's quarterly inflation report which concluded that that there was a risk of underlying inflation rising. The market took the view this could not be reconciled with a decision to cut rates.

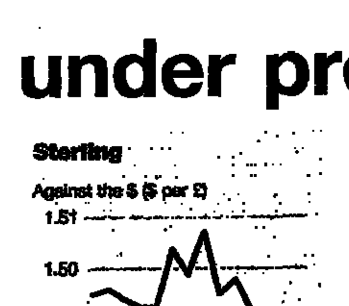
Coming against the backdrop of ongoing political difficulties for the government, heightened by the death of Tory MP Mr Stephen Milligan, the market sensed a whiff of political expediency in the air and this is always very negative for sterling.

■ Analysts were harsh in their assessment of the Bank's rate-cut which was widely branded a failure, both in presentational terms and in terms of the worsening inflation outlook, reflected in the fall in bond prices.

Mr Steve Hannah, head of research at IBJ International, described sterling's weakness as "a classic chartist move". Although the drop was triggered by fundamental factors, the extent of the fall was likely to be determined by technical considerations.

He said sterling was effectively retracing the sharp upward move of the last four months which had seen it rise fairly sharply from DM2.43 in October - before the Bundesbank started cutting rates - to a high in January of DM2.63. Dealers say sterling should attract a fair degree of support at the DM2.53-2.55 level.

Mr Hannah said he did not expect sterling's weakness against the D-Mark to continue for more than a few weeks. On the one hand, following the poor reception of Tuesday's rate cut, there is probably not much more downside for UK rates.



Source: FT Graphite

■ **Pound in New York**

Feb 9	—Latest—	—Prev. close—
£ spot	1.4605	1.4668
1 mth	1.4584	1.4646
3 mth	1.4544	1.4608
1 yr	1.4446	1.4506

In Germany, by contrast, figures released on Tuesday show unemployment is still rising and analysts believe there is still room for a 100 basis point fall in interest rates. "The interest rate argument will swing back in the UK's favour," says Mr Hannah.

Less rosy is the outlook for "cable" - the sterling/dollar rate - which technical analysts predict is heading for "very big" trouble. They say if it falls through $1.4550 then it could easily drop to $1.41-1.42.

■ The yen traded nervously again yesterday as the uneasy state of relations between the US and Japan remained to the fore. Having fallen a yen in Asian trade, sinking below the Y108.00, the dollar traded below that level in London and closed at Y107.8450. The dollar has fallen from a high of Y113.60 last month on on fears that the US may press for a higher yen as a means of cutting Japan's trade surplus with the US should trade talks fail.

The hasty dispatch by Japanese prime minister Mr Morihiro Hosokawa of his foreign minister Mr Tsutomu Hata to Washington for urgent talks did nothing to alleviate these fears.

Indeed, it was taken as confirmation that the two countries remain miles apart in terms of tackling the surplus ahead of Friday's planned trade summit between President Clinton and Mr Hosokawa.

"It's a very difficult problem. The two sides are insisting on their own views. The two views clash but in order to have better relations with the US, it was hastily decided that I would visit the US for frank talks with my counterparts," said Mr Hata.

Japanese dealers were reported as saying that the Bank of Japan had intervened during Asian trading hours in a bid to stem a further sharp appreciation of the yen against the dollar. The BOJ was said to have bought small amounts of dollars for yen when the dollar was falling towards Y108 and below.

■ The D-Mark was slightly firmer against other EMS currencies, but dealers said the EMS was pretty much sidelined with the dollar/yen and pound in the headlines. The broad sideways movement within the EMS grid was expected to continue ahead of next week's Bundesbank meeting.

Comments yesterday by Mr Günter Rexrodt, the German economics minister, that bringing down unemployment was the government's highest priority indicated the pressure the government is under for a more expansionary policy. Some analysts said this might make D-Mark assets less attractive and put downward pressure on the currency.

■ The Bank of England provided the UK money market with around £270m of late, unspecified assistance, bringing total help for the day to £601m. This compared with its latest forecast of a £900m liquidity shortage.

The Bank also announced that it would provide a total of £3.667bn through its repo and secured loan facility on February 10. The Bank said it would allocate £2.484bn in its two-week repo expiring February 24 and £1.183bn in the four-week repo maturing on March 10. The interest rate of $5\frac{5}{32}$ per cent being offered on both facilities is in line with the levels at which it provides repo assistance in its normal money market operations.

POUND SPOT FORWARD AGAINST THE POUND

Feb 9		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.0680	-0.1675	612 - 747	18.2227	18.0409	18.0842	0.2	18.0586	0.2	-	-	112.8
Belgium	(BFr)	52.9560	-0.5576	396 - 723	53.4267	52.9145	53.011	-1.2	53.128	-1.3	53.431	-0.9	113.5
Denmark	(DKr)	10.0078	-0.0711	044 - 108	10.0731	9.9912	10.0157	-1.0	10.0332	-1.0	10.0641	-0.6	113.9
Finland	(FM)	8.2590	-0.0455	503 - 677	8.3236	8.2503	-	-	-	-	-	-	81.6
France	(FFr)	8.7255	-0.0758	232 - 277	8.7922	8.7076	8.7338	-1.1	8.7497	-1.1	8.7789	-0.6	107.3
Germany	(DM)	2.5708	-0.0248	700 - 716	2.5890	2.5652	2.5726	-0.9	2.5754	-0.7	2.5765	-0.2	121.3
Greece	(Dr)	369.275	-3.946	993 - 557	372.604	368.883	-	-	-	-	-	-	-
Ireland	(I£)	1.0398	-0.0031	392 - 403	1.0434	1.0389	1.0403	-0.6	1.0415	-0.7	1.0445	-0.4	103.0
Italy	(L)	2467.93	-31.72	715 - 871	2495.70	2461.73	2474.08	-3.0	2487.48	-3.2	2533.98	-2.7	77.2
Luxembourg	(LFr)	52.9560	-0.5576	396 - 723	53.4267	52.9145	53.011	-1.2	53.128	-1.3	53.431	-0.9	113.5
Netherlands	(Fl)	2.8792	-0.0306	779 - 804	2.9060	2.8749	2.8799	-0.3	2.88	-0.1	2.8735	0.2	117.4
Norway	(NKr)	11.0630	-0.0844	596 - 663	11.1661	11.0375	11.06	0.3	11.0523	0.4	11.0615	0.0	94.3
Portugal	(Es)	258.354	-2.268	236 - 471	260.219	257.192	259.344	-4.6	261.479	-4.8	-	-	-
Spain	(Pta)	208.341	-1.789	268 - 413	209.628	207.912	208.951	-3.5	210.171	-3.5	214.391	-2.9	84.8
Sweden	(SKr)	11.7308	-0.0999	215 - 401	11.8729	11.7215	11.7518	-2.1	11.7918	-2.1	11.9248	-1.7	77.1
Switzerland	(SFr)	2.1600	-0.0186	589 - 611	2.1781	2.1549	2.1585	0.8	2.1547	1.0	2.1339	1.2	117.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.8
Ecu	-	1.3227	-0.0118	222 - 232	1.3322	1.3203	1.324	-1.2	1.3266	-1.2	1.3311	-0.6	-
SDR†	-	0.932080	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4575	-0.0102	571 - 578	1.4679	1.4546	-	-	-	-	-	-	-
Brazil	(Cr)	763.735	+9.29	597 - 873	765.000	760.000	-	-	-	-	-	-	-
Canada	(C$)	1.9632	-0.0103	625 - 639	1.9729	1.9544	1.9608	1.5	1.9566	1.4	1.9462	0.9	90.3
Mexico	(New Peso)	4.5347	-0.0303	325 - 369	4.5660	4.5270	-	-	-	-	-	-	-
USA	($)	1.4605	-0.0095	602 - 607	1.4710	1.4575	1.4583	1.8	1.4544	1.7	1.4445	1.1	67.5
Pacific/Middle East/Africa													
Australia	(A$)	2.0328	-0.0132	317 - 338	2.0557	2.0317	2.0313	0.9	2.0289	0.8	2.027	0.3	-
Hong Kong	(HK$)	11.3200	-0.0685	173 - 226	11.3944	11.2958	11.2983	2.3	11.2639	2.0	11.1638	1.4	-
India	(Rs)	45.8143	-0.2961	028 - 258	46.1420	45.7250	-	-	-	-	-	-	-
Japan	(Y)	157.503	-2.575	439 - 566	160.010	157.190	157.133	2.8	156.298	3.1	152.703	3.0	183.6
Malaysia	(M$)	4.0302	-0.028	280 - 323	4.0579	4.0220	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5349	-0.0196	329 - 368	2.5564	2.5329	2.5378	-1.4	2.5421	-1.1	2.5507	-0.6	-
Philippines	(Peso)	40.2355	-0.3352	365 - 344	40.8743	39.9365	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.4772	-0.0354	760 - 784	5.5162	5.4665	-	-	-	-	-	-	-
Singapore	(S$)	2.3141	-0.0209	130 - 152	2.3332	2.3094	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.0178	-0.0348	158 - 197	5.0519	5.0094	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.6305	+0.0635	220 - 389	6.7178	6.5525	-	-	-	-	-	-	-
South Korea	(Won)	1184.50	-7.71	422 - 477	1192.98	1182.18	-	-	-	-	-	-	-
Taiwan	(T$)	38.6143	-0.2512	931 - 355	38.8800	38.5500	-	-	-	-	-	-	-
Thailand	(Bt)	37.1393	-0.2562	183 - 602	37.4220	37.0790	-	-	-	-	-	-	-

†SDR rate for Feb.7. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 9		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	12.3715	-0.034	690 - 740	12.3925	12.3620	12.3915	-1.9	12.4267	-1.8	12.4935	-1.0	102.2
Belgium	(BFr)	36.2600	-0.145	550 - 650	36.3240	36.2450	36.35	-3.0	36.53	-3.0	36.99	-2.0	103.0
Denmark	(DKr)	6.8524	-0.0041	514 - 534	6.8558	6.8385	6.8706	-3.2	6.9011	-2.8	6.9714	-1.7	102.9
Finland	(FM)	5.6551	+0.0056	501 - 601	5.6745	5.6353	5.6598	-1.0	5.6701	-1.1	5.7006	-0.8	76.4
France	(FFr)	5.9745	-0.013	740 - 750	5.9820	5.9610	5.9887	-2.9	6.016	-2.8	6.0755	-1.7	103.6
Germany	(D)	1.7603	-0.0055	600 - 605	1.7647	1.7572	1.7641	-2.6	1.7709	-2.4	1.7838	-1.3	103.1
Greece	(Dr)	252.850	-1.05	700 - 000	253.200	252.700	255.85	-14.2	262.85	-15.8	292.85	-15.8	71.2
Ireland	(I£)	1.4046	-0.0049	041 - 051	1.4157	1.4000	1.4015	2.6	1.3958	2.6	1.3796	1.8	-
Italy	(L)	1689.85	-10.85	960 - 009	1697.00	1686.87	1696.5	-4.7	1710.35	-4.9	1754.35	-3.8	77.4
Luxembourg	(LFr)	36.2600	-0.145	550 - 650	36.3240	32.2450	36.35	-3.0	36.53	-3.0	36.99	-2.0	103.0
Netherlands	(Fl)	1.9714	-0.0081	709 - 719	1.9763	1.9697	1.9746	-2.0	1.98	-1.8	1.9888	-0.9	102.8
Norway	(NKr)	7.5750	-0.0085	740 - 760	7.6105	7.5589	7.583	-1.3	7.6007	-1.4	7.636	-0.8	94.4
Portugal	(Es)	176.900	-0.4	850 - 950	177.000	175.850	177.795	-6.1	179.62	-6.2	186.6	-5.5	94.2
Spain	(Pta)	142.655	-0.295	630 - 680	142.800	142.450	143.28	-5.3	144.51	-5.2	148.43	-4.0	80.4
Sweden	(SKr)	8.0323	-0.0161	273 - 373	8.0900	8.0074	8.0583	-3.9	8.1068	-3.7	8.2498	-2.7	82.6
Switzerland	(SFr)	1.4790	-0.0031	785 - 795	1.4817	1.4755	1.48	-0.9	1.4814	-0.7	1.4773	0.1	104.1
UK	(£)	1.4605	-0.0095	602 - 607	1.4710	1.4575	1.4584	1.7	1.4544	1.7	1.4445	1.1	90.5
Ecu	-	1.1042	+0.0027	039 - 044	1.1055	1.1027	1.1015	2.9	1.0964	2.8	1.0852	1.7	-
SDR†	-	1.37572	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9980	-0.0005	979 - 980	0.9985	0.9979	-	-	-	-	-	-	-
Brazil	(Cr)	522.945	+9.7	940 - 950	522.950	522.932	-	-	-	-	-	-	-
Canada	(C$)	1.3443	+0.0017	440 - 445	1.3445	1.3398	1.3448	-0.3	1.3453	-0.3	1.3467	-0.2	86.6
Mexico	(New Peso)	3.1050	-0.0005	040 - 060	3.1060	3.1040	3.1066	-0.6	3.1094	-0.6	3.12	-0.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	102.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3919	-	914 - 924	1.3994	1.3904	1.3929	-0.9	1.3958	-1.1	1.4033	-0.8	89.9
Hong Kong	(HK$)	7.7510	+0.0035	505 - 515	7.7515	7.7470	7.7525	-0.2	7.755	-0.2	7.766	-0.2	-
India	(Rs)	31.3700	-	675 - 725	31.3725	31.3675	31.435	-2.5	31.57	-2.6	-	-	-
Japan	(Y)	107.845	-1.055	820 - 870	108.900	107.730	107.75	1.1	107.48	1.4	105.705	2.0	143.2
Malaysia	(M$)	2.7595	-0.0013	585 - 605	2.7605	2.7583	2.753	2.8	2.752	1.1	2.7745	-0.5	-
New Zealand	(NZ$)	1.7357	-0.0021	346 - 367	1.7425	1.7361	1.7373	-1.1	1.7418	-1.4	1.756	-1.2	-
Philippines	(Peso)	27.5500	-0.05	500 - 500	27.8000	27.3500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	+0.0002	502 - 505	3.7505	3.7502	3.7528	-0.8	3.7572	-0.7	3.7759	-0.7	-
Singapore	(S$)	1.5845	-0.004	840 - 850	1.5880	1.5832	1.5834	0.9	1.5812	0.8	1.5935	-0.6	-
S Africa (Com.)	(R)	3.4358	-0.0015	350 - 365	3.4375	3.4345	3.4528	-5.9	3.4818	-5.4	3.5893	-4.5	-
S Africa (Fin.)	(R)	4.5400	+0.0725	350 - 450	4.6000	4.4700	4.571	-8.2	4.63	-7.9	-	-	-
South Korea	(Won)	811.050	-	000 - 100	811.300	810.000	814.05	-4.4	817.55	-3.2	836.05	-3.1	-
Taiwan	(T$)	26.4400	-	300 - 500	26.4500	26.4200	26.5425	-4.7	26.69	-3.8	-	-	-
Thailand	(Bt)	25.4300	-0.01	200 - 400	25.4400	25.4200	25.5	-3.3	25.64	-3.3	25.78	-1.4	-

†SDR rate for Feb.7. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Feb.7. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 9		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.90	16.48	4.855	1.962	4660	5.436	20.88	487.7	393.3	22.15	4.079	1.888	3.707	2.757	297.4	2.498
Denmark	(DKr)	52.91	10	8.717	2.568	1.038	2466	2.876	11.05	258.0	208.1	11.72	2.158	0.999	1.961	1.459	157.3	1.322
France	(FFr)	60.69	11.47	10	2.946	1.191	2828	3.299	12.67	296.0	238.7	13.44	2.475	1.146	2.250	1.673	180.5	1.516
Germany	(DM)	20.60	3.893	3.394	1	0.404	959.9	1.120	4.302	100.5	81.02	4.562	0.840	0.389	0.764	0.568	61.26	0.515
Ireland	(I£)	50.97	9.634	8.398	2.474	1	2375	2.771	10.64	248.6	200.5	11.29	2.079	0.962	1.889	1.405	151.6	1.273
Italy	(L)	2.146	0.406	0.354	0.104	0.042	100.	0.117	0.448	10.47	8.440	0.475	0.088	0.041	0.080	0.059	6.382	0.054
Netherlands	(Fl)	18.40	3.477	3.031	0.893	0.361	857.2	1	3.842	89.72	72.35	4.074	0.750	0.347	0.682	0.507	54.71	0.460
Norway	(NKr)	47.88	9.051	7.890	2.325	0.939	2231	2.603	10	233.5	188.3	10.61	1.953	0.904	1.775	1.320	142.4	1.196
Portugal	(Es)	20.50	3.875	3.378	0.995	0.402	955.5	1.115	4.282	100.	80.64	4.541	0.836	0.387	0.760	0.565	60.98	0.512
Spain	(Pta)	25.42	4.806	4.189	1.234	0.499	1185	1.382	5.310	124.0	100.	5.631	1.037	0.480	0.942	0.701	75.61	0.635
Sweden	(SKr)	45.15	8.534	7.439	2.192	0.886	2104	2.454	9.429	220.2	177.6	10	1.841	0.853	1.673	1.245	134.3	1.128
Switzerland	(SFr)	24.52	4.634	4.040	1.190	0.481	1143	1.333	5.120	119.6	96.44	5.431	1	0.463	0.909	0.676	72.92	0.613
UK	(£)	52.96	10.01	8.726	2.571	1.039	2468	2.879	11.06	258.3	208.3	11.73	2.160	1	1.963	1.460	157.5	1.323
Canada	(C$)	26.98	5.099	4.445	1.310	0.529	1257	1.467	5.634	131.6	106.1	5.976	1.100	0.509	1	0.744	80.23	0.674
US	($)	36.27	6.856	5.977	1.761	0.712	1690	1.972	7.575	176.9	142.7	8.034	1.479	0.685	1.346	1	107.9	0.906
Japan	(Y)	336.3	63.56	55.40	16.32	6.597	15670	18.28	70.22	1640	1323	74.48	13.71	6.349	12.46	9.270	1000.	8.400
Ecu		40.03	7.566	6.596	1.943	0.785	1865	2.176	8.360	195.2	157.4	8.866	1.633	0.756	1.484	1.104	119.0	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Mar	0.5655	0.5668	+0.0014	0.5672	0.5653	49,341	147,819
Jun	0.5633	0.5638	+0.0013	0.5641	0.5632	293	9,622
Sep	-	0.5605	-0.0015	-	0.5632	10	335

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Mar	0.9212	0.9264	+0.0056	0.9289	0.9182	20,599	78,755
Jun	0.9255	0.9300	+0.0058	0.9302	0.9255	282	6,988
Sep	0.9315	0.9360	+0.0087	0.9370	0.9315	7	691

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Mar	0.6743	0.6764	+0.0016	0.6771	0.6743	34,031	49,941
Jun	0.6750	0.6780	+0.0023	0.6764	0.6750	253	1,211
Sep	-	0.6743	-0.0058	-	-	2	45

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Mar	1.4646	1.4580	-0.0066	1.4676	1.4544	23,874	38,050
Jun	1.4520	1.4550	-0.0044	1.4550	1.4500	394	1,951
Sep	-	1.4490	-	-	1.4450	31	418
Dec	-	1.4450	-	-	1.4400	1	12

EMS EUROPEAN CURRENCY UNIT RATES

Feb 9	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.787620	+0.006266	-2.60	4.81	18
Netherlands	2.19672	2.17779	-0.00198	-0.86	2.98	-
Belgium	40.2123	40.0813	-0.0906	-0.33	2.43	2
Germany	1.94964	1.94402	-0.00173	-0.29	2.39	-
France	6.53883	6.59509	-0.004	0.86	1.22	-7
Portugal	192.854	195.285	-0.03	1.26	0.82	-8
Denmark	7.43679	7.56683	+0.01089	1.75	0.34	-12
Spain	154.250	157.476	+0.225	2.09	0.00	-15
NON ERM MEMBERS						
Greece	264.513	279.352	-0.268	5.61	-3.33	-
Italy	1793.19	1866.72	-10.8	4.10	-1.93	-
UK	0.786749	0.756487	+0.006326	-3.85	6.18	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.400	5.96	5.91	6.19	-	0.13	0.58
1.425	3.46	3.77	4.30	-	0.48	1.19
1.450	1.23	2.09	2.76	0.12	1.24	2.13
1.475	0.07	0.94	1.69	1.41	2.58	3.44
1.500	-	0.33	0.94	3.74	4.42	5.17
1.525	-	0.07	0.47	6.24	6.63	7.19

Previous day's vol., Calls 21,501 Puts 25,377 . Prev. day's open int., Calls 610,883 Puts 520,637

WORLD INTEREST RATES

MONEY RATES

February 9	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	-	6¾	6⅝	6½	6¼	7.40	5.25	-
week ago	7¾	6¾	6¾	6½	6⅜	7.40	5.25	-
France	6¾	6¼	6⅜	6⅛	5⅞	6.20	-	7.75
week ago	6¼	6¼	6⅜	6¼	5⅞	6.20	-	7.75
Germany	6.05	6.05	5.83	5.63	5.33	6.75	5.75	6.00
week ago	6.02	6.05	5.80	5.60	5.28	6.75	5.75	6.00
Ireland	6	6	5⅞	5¾	5¾	-	-	6.75
week ago	6	6	5⅞	5¾	5⅞	-	-	6.75
Italy	9	8½	8¼	8¼	8	-	8.00	8.92
week ago	8⅞	8½	8¼	8¼	7⅞	-	8.00	8.92
Netherlands	5.59	5.49	5.31	5.11	4.94	-	5.25	-
week ago	5.56	5.49	5.24	5.01	4.85	-	5.25	-
Switzerland	4⅜	4⅜	4⅜	4¼	3⅞	6.625	4.00	-
week ago	4¼	4⅜	4⅜	3⅞	3¾	6.625	4.00	-
US	3½	3⅛	3½	3⅞	4⅛	-	3.00	-
week ago	3⅛	3⅛	3¼	3⅛	3⅞	-	3.00	-
Japan	2⅛	2⅛	2⅛	2⅛	2⅛	-	1.75	-
week ago	2⅛	2⅛	2⅛	2⅛	2⅛	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	3⅛	3⅜	3¾	4⅛	-	-	-
week ago	-	3⅛	3⅜	3½	3⅞	-	-	-
US Dollar CDs	-	3.26	3.38	3.56	3.90	-	-	-
week ago	-	3.26	3.14	3.30	3.60	-	-	-
SDR Linked Ds	-	3⅞	3¾	3¾	3¾	-	-	-
week ago	-	3¾	3⅞	3⅞	3¾	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 9	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	6⅞ - 6⅝	6⅞ - 6⅝	6⅝ - 6½	6⅝ - 6½	6½ - 6⅜	6¼ - 6⅛
Danish Krone	6 - 5½	6⅞ - 6⅝	6½ - 6¼	6½ - 6¼	6⅛ - 5⅞	5⅞ - 5⅝
D-Mark	6⅛ - 6	6⅛ - 6	6⅛ - 6	5⅞ - 5¾	5⅝ - 5½	5⅜ - 5¼
Dutch Guilder	5⅝ - 5½	5⅝ - 5½	5½ - 5⅜	5⅜ - 5¼	5⅛ - 5	4⅞ - 4¾
French Franc	6⅜ - 6¼	6⅜ - 6¼	6⅜ - 6¼	6⅜ - 6¼	6⅛ - 6	5⅞ - 5¾
Portuguese Esc.	9 - 8½	9¼ - 9½	10 - 9⅞	10 - 9⅞	9⅞ - 9⅝	9⅞ - 9⅝
Spanish Peseta	9⅛ - 8⅞	9⅛ - 8⅞	9⅛ - 8⅞	8⅞ - 8⅝	8⅝ - 8⅜	8¼ - 8⅛
Sterling	5½ - 5⅜	5⅜ - 5¼	5¼ - 5⅛	5¼ - 5⅛	5¼ - 5⅛	5¼ - 5⅛
Swiss Franc	4½ - 4¼	4½ - 4¼	4⅜ - 4¼	4⅛ - 4	4 - 3⅞	3⅞ - 3¾
Can. Dollar	3⅞ - 3⅝	3⅞ - 3⅝	3⅝ - 3½	3⅞ - 3¾	4 - 3⅞	4¼ - 4⅛
US Dollar	3⅛ - 3⅛	3⅛ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3¾ - 3⅝	4⅛ - 4
Italian Lira	10 - 8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	3½ - 2½	[illegible]	[illegible]	4 - 3	4 - 3	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.90	93.91	+0.01	93.91	93.87	22,112	118,811
Jun	94.38	94.40	-0.01	94.41	94.37	19,972	79,827
Sep	94.78	94.78	-0.08	94.79	94.73	7,826	49,309
Dec	94.89	94.96	-0.08	95.00	94.84	10,908	28,852

■ **THREE MONTH EURODOLLAR** (LIFFE) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.35	96.37	-0.01	96.36	96.35	503	5521
Jun	96.03	96.06	+0.02	96.06	96.03	325	4353
Sep	95.68	95.73	+0.03	95.72	95.68	95	1619
Dec	95.29	95.33	+0.03	95.31	95.29	10	978

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.25	94.31	+0.04	94.31	94.25	39895	215858
Jun	94.68	94.75	+0.04	94.75	94.66	56489	201009
Sep	94.98	95.05	+0.03	95.05	94.96	33877	161623
Dec	95.14	95.22	+0.05	95.22	95.12	23189	125067

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	91.73	91.75	+0.02	91.77	91.67	7210	41421
Jun	92.25	92.31	+0.02	92.31	92.24	5188	40179
Sep	92.65	92.70	+0.01	92.71	92.65	3864	22370
Dec	92.94	92.97	-	92.98	92.94	948	14387

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.91	95.90	-0.03	95.92	95.86	4846	32633
Jun	96.16	96.16	-	96.18	96.13	3570	21359
Sep	96.28	96.30	-0.06	96.31	96.25	658	5918
Dec	96.30	96.27	-0.10	96.30	96.25	861	2369

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.76	93.80	-	93.80	93.76	2141	13244
Jun	94.30	94.32	-	94.32	94.29	941	10067
Sep	94.70	94.71	-0.01	94.72	94.68	281	8824
Dec	94.91	94.91	-0.03	94.93	94.88	249	8290

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	96.36	96.37	-	96.37	96.34	86,801	370,360
Jun	96.04	96.05	-	96.06	96.03	122,311	405,780
Sep	95.71	95.72	-0.01	95.73	95.68	88,540	323,376
Dec	95.30	95.32	-	95.33	95.29	56,742	238,978

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	96.65	96.67	-	96.67	96.65	3,396	18,265
Jun	96.35	96.37	-	96.38	96.35	2,930	20,118
Sep	-	96.06	-0.01	-	-	509	3,614

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9425	0.13	0.53	0.83	0.07	0.03	0.03
9450	0.04	0.32	0.60	0.23	0.07	0.05
9475	0.01	0.16	0.41	0.45	0.16	0.10

Est. vol. total, Calls 15415 Puts 7563. Previous day's open int., Calls 21760 Puts 148255

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9575	0.17	0.46	0.60	0.02	0.03	0.05
9600	0.05	0.24	0.40	0.15	0.06	0.10
9625	0.00	0.11	0.24	0.38	0.18	0.19

Est. vol. total, Calls 330 Puts 550. Previous day's open int., Calls 1889 Puts 3468

UK INTEREST RATES

LONDON MONEY RATES

Feb 9	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5¼ - 5	5⅜ - 5⅛	5¼ - 5⅛	5¼ - 5⅛	5¼ - 5⅛	5¼ - 5⅛
Sterling CDs	-	-	$5\frac{3}{16}$ - 5⅛	5⅛ - $5\frac{1}{16}$	5⅛ - $5\frac{1}{16}$	$5\frac{3}{16}$ - 5⅛
Treasury Bills	-	-	$4\frac{15}{16}$ - 4⅞	4⅞ - $4\frac{13}{16}$	-	-
Bank Bills	-	-	5 - $4\frac{15}{16}$	$4\frac{15}{16}$ - 4⅞	$4\frac{29}{32}$ - $4\frac{27}{32}$	-
Local authority deps.	$5\frac{3}{16}$ - $5\frac{1}{16}$	$5\frac{3}{16}$ - $5\frac{1}{16}$	$5\frac{3}{16}$ - $5\frac{1}{16}$	$5\frac{1}{16}$ - $4\frac{15}{16}$	$5\frac{1}{16}$ - $4\frac{15}{16}$	$4\frac{15}{16}$ - $4\frac{13}{16}$
Discount market deps.	5½ - 5	$5\frac{3}{16}$ - $5\frac{1}{16}$	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¼	3¼	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ¼pc.
Ave. tender rate of discount 4.8320pc. ECGD fixed rate Stlg. Export Finance. Make up day January 31, 1994. Agreed rate for period Feb 26, 1994 to Mar 25, 1994, Schemes II & III 6.70pc. Reference rate for period Jan 1, 1994 to Jan 31, 1994, Schemes IV & V 5.434pc. Finance House Base Rate 5½pc from Feb 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.73	94.79	-0.01	94.79	94.73	14070	87644
Jun	94.91	94.94	-0.03	94.94	94.90	27457	111637
Sep	94.85	94.87	-0.03	94.88	94.84	12575	59960
Dec	94.76	94.78	-0.04	94.78	94.72	13316	86224

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9475	0.08	0.26	0.26	0.04	0.07	0.18
9500	0.01	0.11	0.16	0.22	0.17	0.29
9525	0	0.04	0.08	0.46	0.35	0.46

Est. vol. total, Calls 9098 Puts 13466. Previous day's open int., Calls 160537 Puts 144631

BASE LENDING RATES

[illegible]

* Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 9 / Sch)

BELGIUM/LUXEMBOURG (Feb 9 / Frs.)

DENMARK (Feb 9 / Kr)

FINLAND (Feb 9 / Mkk)

FRANCE (Feb 9 / Frs.)

GERMANY (Feb 9 / Dm.)

ITALY (Feb 9 / Lire)

NETHERLANDS (Feb 9 / Fls.)

NORWAY (Feb 9 / Kroner)

SPAIN (Feb 9 / Pts.)

SWEDEN (Feb 9 / Kronor)

SWITZERLAND (Feb 9 / Frs.)

PACIFIC

JAPAN (Feb 9 / Yen)

AUSTRALIA (Feb 9 / Aust$)

HONG KONG (Feb 9 / H.K.$)

MALAYSIA (Feb 9 / MYR)

SINGAPORE (Feb 9 / S$)

NORTH AMERICA

CANADA

TORONTO (Feb 9 / Can $)

4 pm close

MONTREAL (Feb 9 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Feb 9 / Rand)

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are 1993-94, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all

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■ **TOKYO - MOST ACTIVE STOCKS: Wednesday, February 9, 1994**

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi	11.9m	898		Nippon Steel	6.5m	350	-2
Fujitsu	9.7m	1,040	-30	Nitsuko Corp	6.2m	1,540	-60
Furukawa Elec	7.6m	704	-3	Sumitomo Elec	5.1m	1,600	-60
Sanken Elec	6.7m	915	+36	Shindengen Elec	4.9m	1,030	-20
Toshiba Corp	6.5m	731	-7	Mitsubishi Heavy	4.9m	701	-4

INDICES

US INDICES

■ **CAC-40 STOCK INDEX FUTURES (MATIF)**

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Feb	2291.0	2318.0	+9.0	2320.0	2283.0	21,309	20,338
Mar	2304.0	2329.5	+9.0	2330.5	2293.0	3,402	46,325
Jun	2299.0	2327.5	+9.0	2317.0	2299.0	37	2,409

Open interest figures for previous day.

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

■ NEW YORK ACTIVE STOCKS

■ TRADING ACTIVITY

■ RATIOS

** Sat Feb 5 : Taiwan Weighted Price 6294.13; Korea Comp Ex 942.80. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours index: Feb 9 - 2118.43 +16.86.

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

4 pm close February 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993/94 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅝	11½	AAR	0.48	3.0	33	54	16	15¾	16	+¼
29⅜	12¾	A L Labs A	0.18	1.1	37	200	16⅛	15¾	16	+¼
67¼	54⅝	AMP	1.68	2.7	21	987	62½	61¾	62⅛	+⅛
72¾	55½	AMR			33	4670	70	68¼	68¼	-1
5	1¾	ARX			18	642	4⅝	4½	4⅝	
56⅛	29⅞	ASA	2.00	4.0	32	1492	50⅛	49⅝	49¾	-⅛
30¾	22⅝	AbbotL	0.68	2.3	17	6355	29⅝	29⅛	29¼	
13	8¼	AbttbI Pr	0.50	4.0	8	27	12⅝	12⅜	12⅝	
15⅝	9¼	Acptncoin			24	47	13⅛	12¾	13	+⅛
36	25½	ACE Ltd	0.40	1.4	5	1116	27⅞	27⅝	27⅞	+½
12⅝	10¾	ACM Gvt In x	1.09	8.9		291	12⅜	12¼	12¼	-⅛
10⅛	9⅛	ACM GvOpp x	0.80	8.0		25	10	9⅞	10	+⅛
10⅝	8¾	ACM Gvt Sp x	0.96	9.4		438	10⅜	10⅛	10¼	+⅛
12¼	10½	ACM Gvt Sc x	1.09	9.3		312	11⅞	11⅝	11¾	
12¼	9⅝	ACM Man x	1.08	9.4		380	11½	11⅜	11½	
9⅜	8⅝	ACM Mangd x	0.72	8.0		60	9	9	9	
12⅜	7¾	AcmeCly	0.44	4.3	12	47	10⅛	9⅞	10⅛	+¼
11⅜	6¾	Acme Elect			34	123	8¼	7⅞	8	-½
27⅝	18⅜	Acordia	0.44	1.8	14	1584	25	23½	25	+1¾
9⅛	6⅝	Actava	0.36	4.2	17	274	8⅝	8½	8½	
16	10⅜	Acuson			55	1260	12½	12	12¼	+⅞
21¾	17⅝	Adams Expr	0.39	2.2	0	119	18⅛	17⅞	18⅛	+¼
66¼	45½	Ad Micro	3.00	5.7		80	53	52½	52½	-¼
32¾	16¾	AdvMic	3.00	13.7	9	11605	22⅛	21⅝	21⅞	-⅛
8⅛	5½	Advest Grp	0.16	2.4	10	68	6⅞	6¾	6¾	
24¾	14¼	Advo Inc	0.08	0.4	119	105	18	17½	17⅞	-⅛
58½	41⅛	Aegon ADR	1.23	2.3	11	31	53⅝	53½	53⅝	-¼
66¼	43⅞	AetnaL	2.76	4.4	27	2279	63½	61⅞	63	+1¼
34	24¾	Aflac	0.40	1.4	13	3473	29½	29	29¼	+⅞
[illegible]										

1993/94 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25	21⅝	Bd Tr 1838	1.72	8.0		35	21¾	d21⅝	21⅝	-⅛
26	15	Bear Strns	0.60	2.6	6	534	23⅛	22⅝	23	
50¼	45½	BearSt PfA	2.75	5.5		2	49⅝	49⅝	49⅝	
33	20½	Bearings	0.64	2.1	21	58	30⅞	30⅝	30⅝	
28¼	19¾	Beckman In	0.40	1.5	22	217	27⅛	27	27⅛	-¼
40⅞	32⅝	BectnD	0.74	2.1	12	2347	36¼	35⅝	36	+⅛

Continued on next page

4 pm close February 9

NYSE COMPOSITE PRICES

1993/94 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng. Prev. Close
Continued from previous page										
24¾	13⅞	SkyKl	0.36	2.2	25	988	18⅛	15⅞	18¼	+⅜
22⅝	10⅞	Safeway			27	4190	22⅛	21⅞	22⅛	+⅞
5¼	2	SafewayWBB				825	5⅛	4⅞	5	+⅛
55½	37½	StJoePaper	0.20	0	4288	39	54⅝	54¼	54⅝	+¼
37⅞	28	StJosL&P	1.80	6.1	14	28	29⅝	29⅛	29½	+⅛
88	75	StPaul	3.00	3.6	8	928	84⅞	82	82⅞	-1⅛
11⅞	6⅞	Salant Crp			9	41	8	7⅞	7⅞	
76¼	39⅞	Sallie Mae	1.40	3.0	9	1005	47⅞	46⅝	47⅞	+½
14⅞	12⅞	Salomon Br x	0.55	4.7		287	13⅞	13⅛	13⅞	+⅛
51⅞	34	Salomn	0.64	1.3	6	935	48⅝	48¼	48½	
27¼	22⅞	SaDgGE	1.48	6.3	12	338	23½	23¼	23⅞	+⅛
11⅞	8⅞	SantaFeEPs	0.16	1.7	308	708	9⅝	9⅛	9¼	+⅛
40¼	35¼	SantaFePac	2.80	7.2	18	53	39⅞	39	39	-⅝
26¼	12¾	SanFeP	0.10	0.4	13	2658	24⅜	24	24¼	+⅛
31⅛	21	SaraLee	0.64	3.0	14	8292	21⅝	21⅛	21⅝	+⅜
52¼	40⅛	Scana Corp	2.74	5.8	12	184	47½	47¼	47¼	-⅛
25¾	18⅝	Scecrp	1.42	7.5	13	5058	19	18⅞	18⅞	
40½	23⅞	SchererRP			29	585	38⅞	38¼	38⅞	+⅜
71	51¾	SchrPl	1.80	3.0	14	7942	60½	59½	60	-¾
68⅞	54⅝	Schlmb	1.20	2.1	24	4960	59	57⅝	57⅝	-1¼
38⅝	16½	Schwab(C)	0.28	1.0	18	2283	28½	27⅝	28⅛	+⅛
8½	5⅝	Schweitzer			128	177	d9	8⅞	9	+½
38⅞	17¾	SciAtl	0.12	0.4	53	4528	27⅞	26¼	26⅞	-¾
15¼	9⅛	Scotsman	0.10	0.7	14	76	u15¼	15	15	-⅛
[illegible]										

NASDAQ NATIONAL MARKET

4 pm close February 9

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMEX COMPOSITE PRICES

4 pm close February 9

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

AMERICA

US stocks driven up by program buying

Wall Street

A wave of futures-related program buying swept US share prices sharply higher after a firming trend in the bond market, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 21.95 ahead at 3,927.98, while the more broadly based Standard & Poor's 500 was 1.64 better at 472.69. In the secondary markets, the American SE composite improved 1.15 to 478.83, and the Nasdaq composite put on 3.46 to 786.16.

Volume on the NYSE remained heavy, with 210m shares traded by 1 pm.

After ignoring flagging bond prices in the previous session, equity investors seized on the Treasury market's surprising resilience ahead of an afternoon supply auction. Despite nagging concerns over US monetary policy, the benchmark 30-year government bond *drifted $\frac{1}{32}$ higher to $97\frac{21}{32}$.*

The firmer tone in the inflation-sensitive long bond was somewhat surprising in view of tomorrow's release of January producer price data. Observers predicted a sharp reaction if the index proved to be higher than expected.

Cyclical issues – those most closely linked to broad economic trends – once again led the market. General Electric pulled \$1⅝ ahead to \$108⅝. Goodyear had another strong outing, gaining \$1 to \$48½ on news of a 30 per cent advance in net earnings in the final three months of 1993.

Strong fourth-quarter results lifted Allied Signal for the second day running. The issue climbed \$1½ to \$78⅞.

Alcoa's plan to cut production continued to benefit the stock, which climbed \$1⅛ to a 52-week high of \$80¼, after Tuesday's \$1¼ gain.

However, Ford was hit by profit-taking after its quarterly report produced no surprises. The stock sagged \$⅝ to \$69⅝.

Technology stocks attracted buyers after the Semiconductor Industry Association's January book-to-bill ratio – an important gauge of future performance – exceeded most forecasts. Among microchip makers, Motorola rose \$1¼ to \$101⅞, Texas Instruments \$1 to \$74⅞ and National Semiconductor \$¼ to \$19⅞.

On the Nasdaq, Microsoft jumped \$1¼ to \$80 after its chairman said that the software supplier could double revenues by fiscal 1997.

Canada

Toronto recouped some early losses, but remained weak in cautious midday trading, the TSE-300 composite index edging 1.23 lower at 4,450.97 in volume of 48.52m shares valued at C\$560m.

Declines in mining and transportation issues offset gains in the communications and utility groups. The transportation sector led the declines, falling 48.64, or 1.2 per *cent to 3,962.32.*

EUROPE

Frankfurt mounts post-bourse recovery

On a day for the tacticians, the strategists still had their say, *writes Our Markets Staff.*

Overnight in New York, a UK house, S.G. Warburg, said it liked equity prospects in Italy, and Sweden in particular. In London, Merrill Lynch, of US fame, continued its support for European commodity-*sensitive stocks, on prospects* for gains in both commodity prices and in the US dollar.

FRANKFURT rebounded in the post-bourse after the DAX index fell 21.92 to 2,085.29 on the session, closing the afternoon 31.14 to the good at 2,116.43, its best of the day.

Mr Nigel Longley, of Commerzbank in Frankfurt, said that the bund future had moved from 98.94 on Tuesday, via a 98.58 low yesterday, to a close of 99.20 – "huge volatility", he said, in this area. In addition, equities were lifted by the upswing in New York.

Turnover rose from DM9.8bn to DM10.6bn. Banks were weak on the session, but carmakers were outstanding on the day. At the official close, Volkswagen was up DM5 to DM447 on American buying.

In the afternoon, however, BMW was the real star, responding to a Standard & Poor's downgrade of its commercial paper by rising from DM777 at the close to a final DM814. The prospect had been in investors' minds, said Mr Longley, they had bought on the "bad news" and BMW – not as liquid as some car stocks – had rocketed on short *covering.*

MILAN put in a restrained performance on a day of technically driven trading, which saw the expiry of options ahead of tomorrow's end of the February account. The Comit index added 2.4 to 680.12.

IMI, making its debut, was quoted *at L14,400* in pre-opening trade, compared with the L10,900 privatisation price, prompting speculation that a broker had been short in the stock. The shares later turned back to finish at L13,430.

BCI, up for privatisation at the end of the month, added L37 to L5,523.

Montedison traded L38 or 3.2 per cent lower to L1,159 in continued response to Tuesday's news that a little known Gibralta-based investment firm was buying a 6 per cent stake.

PARIS was little changed on the day with the CAC-40 index rising just 2.2 to 2,302.06.

Peugeot, down FFr7 to FFr847, had attracted attention from a number of brokers; Merrill Lynch, yesterday, moved its recommendation a notch lower, from buy to hold.

Mr Keith Hayes commented for Merrill that this move was partly the result of the stock's strong performance in recent months: it has outperformed the CAC-40 index by some 25 per cent. He was concerned at a possible hole in the group's model range, with strong competition coming from Renault and Fiat, and added that Peugeot lacked exposure to the lucrative north American market.

Among other automotive stocks Valéo, the components manufacturer, advanced to a new year's high, up FFr46 to FFr1,520, taking its gains since the beginning of the year to 18 per cent. Michelin gained FFr2.40 to FFr262.30.

ZURICH finished 1.4 per cent lower, although Wall Street's firmer opening enabled shares *to pick up from the day's lowest levels.* The SMI index shed 43 to 3,054.2.

Banks, in demand until recent days on expectations of good results later in the month, remained under pressure. CS Holding shed SFr20 to SFr710. UBS, which said it had sold its 19 per cent stake in Grundig to Philips, dipped SFr16 to SFr1,465.

Roche saw SFr90 of its recent gains erased as it finished at SFr7,090.

AMSTERDAM recovered from a midsession low to close modestly higher. The AEX index added 0.98 to 437.52.

Fokker, which has seen volatile trading recently, was one of the day's best performers, up Fl 1.90 or 8.6 per cent to Fl 23.80, following a report in the domestic media that it was planning a major restructuring package to include job cuts. The aircraft manufacturer had no commment to make on the article.

ISTANBUL fell another 8.1 per cent as investors switched further holdings into cash, taking advantage of high interest rates as the central bank continued to defend the lira.

The composite index, bounc*ing from a daily low of* 15,478.14, ended at a provisional 15,695.71, its lowest since November 17 and down 1,385.44 points from Tuesday.

The index has lost 45.7 per cent since its all-time high of 28,883.61 on January 13.

TEL AVIV hit a new 1994 low, the Mishtanim blue chip index losing another 8.55, or 3.5 per cent at 235.87 after a similar fall on Monday and a small, intervening rally on Tuesday.

Written and edited by William Cochrane, John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Feb 9 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1499.97	1500.66	1503.51	1500.38	1499.75	1500.79	1502.75	1504.89
FT-SE Eurotrack 200	1560.42	1560.57	1562.37	1556.36	1554.86	1558.08	1558.82	1561.00

	Feb 8	Feb 7	Feb 4	Feb 3	Feb 2
FT-SE Eurotrack 100	1512.37	1495.54	1528.77	1527.17	1540.13
FT-SE Eurotrack 200	1574.86	1557.75	1592.27	1584.74	1607.10

Base value 1000 (26/10/90); High/day: 100 - 1504.89; 200 - 1563.47 Low/day: 100 - 1498.08 200 - 1553.25.

Brazil and Mexico move to new highs

São Paulo took Brazilian equities a further 2.8 per cent higher by midsession, as investors responded to congressional approval of a major element of the government's economic plan late on Tuesday. The market was nearly 5 per cent up at the close of the previous session.

The Bovespa index stood *2,494 stronger at 91,293* by 1 pm, in good turnover of Crz143.1bn (\$274m).

Some traders said that buying was prompted by short-covering in the Bovespa futures market.

Central bank officials have said that they intend to keep monetary policy tight after the adoption of a single price index to try to prevent consumer spending from rising. The government has vowed to bring *the country's 40 per cent* monthly inflation down by pegging prices to the new index.

● Mexican stocks rose to a new peak in early trading, helped by a fall in domestic interest rates. The IPC index was up 8.54 at 2,889.71, but slightly down from an earlier all-time high of 2,895.89.

The central bank said that the 28-day Treasury bill interest rate would be cut to 9.72 per cent.

Volume amounted to 45.7m shares. In the financial group, Inbursa climbed 5.05 per cent.

ASIA PACIFIC

Nikkei off 2% as region verges on lunar new year

Tokyo

Short of support ahead of Friday's meeting between President Clinton and Prime Minister Hosokawa, share prices dropped on heavy index-linked selling and profit-taking by corporations, *writes Emiko Terazono in Tokyo.*

The Nikkei average lost 409.85, or 2 per cent, at 19,841.38, falling below 20,000 for the first time in eight trading days. The Topix index of all first section stocks slid 18.68 to 1,598.02, through 1,600 for the first time since January 28.

Selling pressure increased in the afternoon as investors were discouraged by rumours that a leading monthly magazine will carry an article over a trucking company's allegedly dubious loans to Mr Hosokawa. The Nikkei opened at the day's high of 20,236.32 and fell to a low of 19,650.97 in the afternoon session.

Many investors were also sidelined ahead of the launch of the Nikkei 300 stock futures contract next Monday. "There are rumours that some US investors will be selling the Nikkei 300 index to hedge their positions," said a Japanese broker.

Volume totalled 450m shares, down from Tuesday's 616m, and declines outscored advances by 915 to 168, with 104 issues unchanged. In London the ISE/Nikkei 50 index eased 1.34 to 1,321.13.

Stocks recently popular on the multi-media theme were lower on heavy profit-taking. Fujitsu fell Y30 to Y1,040 and Nitsuko Y60 to Y1,540. Nippon Telegraph and Telephone retreated Y28,000 to Y947,000.

Some banks were lower on corporate selling, Dai-Ichi Kangyo Bank losing Y20 at Y1,940.

Trucking issues were weak due to the alleged scandal involving Mr Hosokawa. Nippon Express declined Y40 to Y1,000 and Yamato Transport Y30 to Y1,180.

Short term investors bought speculative favourites. Japan Storage Battery rose Y7 to Y820, Sanken Electric climbed Y36 to Y915 and Namco advanced Y60 to Y2,650.

In Osaka, the OSE average dipped 316.27 to 21,704.84 in volume of 84.2m shares. Kyocera, the ceramic chip package maker, shed Y230 to Y6,740.

Roundup

Pacific Rim markets were mixed as the Lunar New Year holiday season took hold. Seoul, Taiwan and Kuala Lumpur were already closed.

HONG KONG ended firmer but off highs as early demand dried up and gains were eroded by late position-squaring. The Hang Seng index rose a net 49.87 to 11,504.03 in half-day trading ahead of the new year festival, which closes the market for the rest of the week.

Expectations of strong results announcements by some blue chip companies later this month had stimulated the buying. Properties led gains, with Cheung Kong, the second most actively traded stock, adding HK\$1 at HK\$47.75 and Henderson Land ahead HK\$1 at HK\$53.50. SHK Properties receded 50 cents to HK\$63.50.

BANGKOK was spurred 2.8 per cent higher as demand from local and foreign funds overcame selling pressure by local investors. The SET index broke above 1,400 to end 37.90 stronger at 1,403.63.

MANILA's composite index climbed 42.48 to 2,995.33 as local investors bought selected stocks.

SINGAPORE edged forward in thin half-day trading and the Straits Times Industrial index firmed 19.96 to 2,341.60.

AUSTRALIA was depressed by profit-taking and a drop in futures, the All Ordinaries index falling 34.5 to 2,270.9.

NEW ZEALAND declined, the NZSE-40 capital index finishing 4.53 off at 2,369.16.

Telecom picked up 3 cents to NZ\$4.91 after the 9-cent fall on Tuesday which followed its third-quarter results.

BOMBAY surrendered 3.4 per cent as profit-taking whittled away at the sharp gains seen earlier in the week. The BSE 30-share index dropped 143.16 to 4,018.92.

KARACHI was higher as blue chips posted sharp gains late in the day. The KSE 100-share index closed a net 9.87 ahead at 2,325.22, after dipping to 2,304.88 at midday.

SOUTH AFRICA

Political uncertainty restrained Johannesburg after the stalemate in talks between the ANC, the government and the Freedom Alliance. Golds shed 9 to 1,876, industrials fell 32 to 5,699 and the overall index was 35 lower at 4,856.

India rises despite the Asian wobble

By John Pitt

While the rest of Asia wobbled on Monday in reaction to the slight increase in US interest *rates at the end of last week*, India went in the opposite direction as some foreign investors decided to switch portfolios.

However, in spite of a fall back from high levels yesterday, the performance cannot be seen as a "one-day wonder". In fact, many emerging markets strategists favour the sub-continent as having the potential to show a strong performance in 1994, with Foreign and Colonial, for instance, forecasting 55 per cent growth.

Mr Michael Edmonds, of Olliff and Partners in London, says that the country has good prospects, founded in the main on stability in the political arena. Furthermore, a satisfactory improvement in exports – a better than expected gain of some 20 per cent in the nine months to the end of December 1993 – has underpinned expectations of broader economic growth.

He adds that new investment funds have been launched recently, following the government's relaxation of restrictions on foreigners towards the end of last year, and suggests that export-orientated sectors, and the textile sector in particular, are in fund managers' sights.

The Asian wobble at the beginning of the week caught no-one off guard – a rise in US rates having been discounted in the markets – but did provide an excuse for some foreign and domestic investors to take profits. Thailand and Hong Kong were the heaviest casualties, the former already having a disappointing year as measured by the IFC.

Morgan Stanley chose this moment to review its exposure to emerging markets, reducing their weighting in its global portfolio by 1 percentage point to 4 per cent. At the same time it lifted its asset allocations for Singapore and Malaysia by 2 points, and 4 points respectively from zero.

This, it said, took into account the fact that both markets had good potential, and had underperformed since the beinning of this year.

In Latin America, Venezuela came into its own last week as foreign institutions decided that the time was now right to come in, encouraged by the pose being adopted by Mr Rafael Caldera, the country's new president, and his government.

Mr Victor Galliano of LatInvest remarks that although the macroeconomic picture continues to look bleak, there is a feeling that things cannot get any worse; and the economics team appointed by the president has a pro-market attitude.

The equity market is likely to remain volatile in 1994, he says, with the possibility of *further fallout* in the wake of the collapse of Banco Latino.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Feb 4 1994	% Change over week	% Change on Dec '93	Local currency terms Feb 4 1994	% Change over week	% Change on Dec '93
Latin America							
Argentina	(25)	1,135.00	+7.6	+14.2	636,468.31	+7.6	+14.2
Brazil	(57)	321.99	+9.1	+38.4	216,624,624.0	+19.8	+113.2
Chile	(25)	695.40	+10.2	+26.0	1,195.79	+10.0	+25.4
Colombia[1]	(11)	785.56	+2.6	+21.8	1,138.04	+2.6	+22.8
Mexico	(69)	1,104.41	+3.2	+10.4	1,479.36	+3.2	+10.3
Peru[2]	(11)	157.19	+13.2	+30.0	208.58	+12.7	+31.2
Venezuela[3]	(11)	805.85	+32.0	+36.2	2,017.39	+35.0	+41.9
East Asia							
China[4]	(18)	126.86	-3.8	-15.0	139.41	-3.8	-15.0
South Korea[5]	(156)	133.45	+5.4	+12.9	141.65	+5.3	+12.9
Philippines	(18)	295.14	+1.4	-13.3	387.81	+0.8	-12.7
Taiwan, China[6]	(90)	140.59	+5.6	+4.0	139.45	+5.4	+4.2
South Asia							
India[7]	(77)	134.63	-4.5	+15.6	148.88	-4.5	+15.6
Indonesia[8]	(37)	127.88	+0.6	+2.6	146.88	+0.5	+3.2
Malaysia	(105)	292.03	+6.4	-13.9	298.42	+6.6	-11.4
Pakistan[9]	(15)	381.37	+1.4	-1.7	521.83	+1.8	-1.2
Sri Lanka[10]	(5)	206.18	+1.1	+16.3	221.07	+0.8	+15.8
Thailand	(55)	407.13	-4.5	-14.8	411.74	-4.7	-14.8
Euro/Mid East							
Greece	(25)	270.51	+1.9	+18.8	464.41	+3.1	+20.8
Hungary[11]	(5)	258.67	+2.6	+55.2	317.20	+2.8	+67.1
Jordan	(13)	172.32	+0.7	+4.1	250.28	+0.4	+4.5
Poland[12]	(12)	962.24	-18.8	+17.7	1,322.48	-18.8	+19.8
Portugal	(25)	130.67	+1.9	+14.8	158.72	+2.7	+14.9
Turkey[13]	(40)	164.80	-2.6	-22.6	1,348.76	-1.3	-7.3
Zimbabwe[14]	(5)	204.65	+3.9	+1.3	255.63	+4.2	+19.7

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY FEBRUARY 8 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY FEBRUARY 7 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	187.23	1.5	188.85	128.89	171.88	173.33	1.0	2.97	184.45	184.64	126.74	169.06	171.59	189.15	122.10	122.10
Austria (17)	187.18	0.4	188.79	128.85	171.83	171.47	0.5	0.93	186.42	186.61	128.09	170.86	170.54	195.41	139.23	140.98
Belgium (42)	165.05	0.1	168.46	113.61	151.51	148.17	0.3	3.89	164.87	165.04	113.29	161.11	147.76	169.08	138.95	140.13
Canada (107)	137.49	-0.1	138.67	94.64	126.21	133.88	0.0	2.52	137.61	137.75	94.56	126.13	133.88	145.31	116.91	116.91
Denmark (32)	265.23	0.5	267.51	182.58	243.48	247.34	0.7	0.92	264.05	264.32	181.44	242.02	245.67	275.79	195.66	203.48
Finland (22)	150.82	1.4	162.11	103.82	138.45	178.82	1.7	0.57	148.70	148.86	102.18	136.30	176.90	156.72	65.50	66.83
France (99)	178.54	0.4	180.08	122.90	163.90	167.69	0.6	2.77	177.87	178.06	122.22	163.03	166.69	185.37	149.46	150.27
Germany (59)	129.90	1.2	131.01	89.42	119.24	119.24	1.4	1.78	128.37	128.50	88.21	117.66	117.66	142.38	107.59	109.33
Hong Kong (56)	462.16	-0.2	466.14	318.14	424.27	459.70	0.1	2.31	462.90	463.36	318.08	424.28	459.46	506.56	231.19	231.19
Ireland (14)	196.63	3.0	198.32	135.36	180.51	196.57	3.2	2.83	190.92	191.12	131.19	174.99	190.42	209.33	129.29	134.85
Italy (68)	76.42	2.7	77.08	52.61	70.16	97.06	2.8	1.69	74.40	74.48	51.13	68.20	94.42	78.93	55.21	61.78
Japan (469)	148.71	0.8	149.99	102.36	136.51	102.36	0.9	0.79	147.59	147.75	101.42	135.28	101.42	165.91	106.08	106.08
Malaysia (69)	507.25	1.8	511.62	349.18	465.67	539.35	1.6	1.35	498.26	498.78	342.37	456.69	530.78	621.63	267.68	268.60
Mexico (18)	2594.98	-0.3	2617.27	1786.30	2382.16	8810.96	-0.3	0.57	2603.03	2605.72	1788.64	2385.83	8836.87	2603.09	1410.30	1572.01
Netherland (26)	202.04	1.2	203.78	139.08	185.48	182.54	1.6	2.90	199.56	199.77	137.13	182.91	179.99	207.43	155.34	158.15
New Zealand (14)	75.38	0.4	76.01	51.88	69.18	69.54	-0.2	3.34	75.07	75.15	51.59	68.81	69.65	77.59	43.20	43.41
Norway (23)	200.06	1.7	201.78	137.72	183.66	205.93	2.0	1.24	196.72	196.92	135.17	180.30	201.85	204.44	138.60	138.77
Singapore (45)	349.23	0.4	352.24	240.40	320.60	255.65	0.3	1.62	347.89	348.36	239.12	318.96	254.98	378.92	213.57	217.82
South Africa (60)	256.21	-1.6	258.41	176.37	235.20	250.16	-0.9	2.29	260.24	260.51	178.82	238.52	252.55	280.26	160.78	164.75
Spain (42)	151.30	1.1	152.60	104.15	138.90	163.88	1.5	3.58	149.59	149.74	102.79	137.11	161.40	155.79	116.33	129.16
Sweden (36)	221.56	0.5	223.49	152.53	203.42	264.01	1.3	1.32	220.58	220.81	151.57	202.18	260.63	230.02	154.59	157.99
Switzerland (49)	168.51	-0.4	169.96	116.00	154.69	154.83	0.2	1.41	169.22	169.40	116.28	155.10	154.52	176.56	109.14	111.61
United Kingdom (215)	207.13	0.0	208.91	142.59	190.15	208.91	0.8	3.45	207.12	207.33	142.32	189.84	207.33	214.96	162.00	166.70
USA (516)	191.56	-0.2	193.20	131.86	175.85	191.56	-0.2	2.74	191.94	192.14	131.89	175.92	191.94	196.04	176.29	182.97
EUROPE (744)	172.51	0.5	173.99	118.75	158.36	169.03	1.0	2.68	171.68	171.86	117.97	157.36	167.40	178.58	134.88	138.83
Nordic (113)	213.49	0.7	215.32	146.96	195.98	222.93	1.3	1.11	212.05	212.27	145.71	194.36	220.16	220.60	145.85	148.84
Pacific Basin (722)	161.19	0.7	162.56	110.96	147.97	114.89	0.9	1.06	160.00	160.17	109.95	146.66	113.90	169.50	110.88	110.88
Euro-Pacific (1466)	165.75	0.6	167.17	114.10	152.16	135.88	0.9	1.76	164.71	164.88	113.18	150.97	134.66	170.78	121.37	121.41
North America (625)	188.20	-0.2	189.81	129.56	172.76	187.56	-0.2	2.73	188.58	188.76	129.57	172.83	187.92	192.73	172.67	178.89
Europe Ex. UK (529)	150.69	0.8	151.99	103.73	138.33	145.84	1.1	2.19	149.51	149.66	102.73	137.03	143.94	155.73	117.89	118.48
Pacific Ex. Japan (253)	280.97	0.7	283.39	193.41	257.94	258.25	0.6	2.33	279.09	279.37	191.77	255.80	256.78	296.21	157.88	157.88
World Ex. US (1651)	167.61	0.6	169.05	115.38	153.86	139.19	0.8	1.77	166.68	166.85	114.53	152.77	138.03	172.51	122.63	122.83
World Ex. UK (1954)	171.44	0.3	172.91	118.01	157.38	150.56	0.4	1.97	170.91	171.08	117.44	156.64	149.92	175.58	138.71	139.66
World Ex. So. Af. (2109)	174.06	0.3	175.58	119.83	159.80	154.84	0.5	2.12	173.56	173.74	119.26	159.07	154.11	178.56	140.95	141.97
World Ex. Japan (1700)	190.02	0.1	191.66	130.81	174.44	187.13	0.3	2.64	189.84	190.04	130.45	174.00	186.61	195.20	159.44	162.31
The World Index (2169)	174.56	0.3	176.06	120.16	160.24	155.62	0.5	2.12	174.07	174.25	119.61	159.54	154.91	178.97	141.01	142.02

Constituent change with effect 11/2/94: Conversion: Gruppo Ind. Bimbo (Series 2) into Gruppo Ind. Bimbo (ACP) (Mexico). Name change (9/2/94): SA Brewing to Southcorp Holdings (Australia). Latest prices were unavailable for this edition.